

---

# PUTTING THE CART BEFORE THE HORSE

Kevin Flanagan – Head of Fixed Income Strategy  
04/10/2019

It's all about the data, with the jobs report being front and center. But what happens when the data doesn't fit into the [Treasury \(UST\)](#) market's narrative? We've gotten a glimpse of this recently, so here are some observations.

While the employment data is no doubt the "leader of the pack" for the money and bond markets, investors also received a stronger-than-expected report on manufacturing last week. The [ISM Manufacturing Index](#) rebounded in March, led by gains in the areas of new orders, production, employment and prices. The result is that the overall gauge remains safely in the expansion column.

Back to the March job numbers. The headline nonfarm payroll number came in measurably above consensus: +196,000 vs. +177,000, which, in my opinion, makes last month's revised +33,000 an anomaly instead of the beginning of a new downward spiral. There was nothing new on the unemployment rate front, with the jobless rate staying at 3.8%. The key takeaway is the fact that the unemployment rate is still under the 4% threshold.

As I've noted before, the average hourly earnings figure deserves some attention as well. Wages posted a year-over-year gain of +3.2%, down 0.2 percentage points from the prior month. I won't bore you with the details, but this modest deceleration just looks like a little breather from February's robust performance. More importantly, wages have now produced eight straight months of year-over-year gains with a "3" handle—the first time since 2008/2009.

So, how's the [UST 10-Year](#) faring in all of this? The [Relative Strength Index \(RSI\)](#) may be my new favorite bond market gauge. Only about two weeks ago, I blogged that the RSI was signaling an overbought condition. Since hitting an intraday low of 2.34% on March 27, the UST 10-year yield has risen almost 20 basis points (bps) and has moved back over the 2.50% threshold, as of this writing.

[Fed Funds Futures](#) (my least favorite gauge) are now getting close to removing a rate cut for this year and only one, not two, rate cuts for 2020. For the record, this back-and-forth pattern is why it's my least favorite market gauge. At this stage of the game, I still see Q1 as being the trough in economic activity and do not foresee a rate cut in 2019.

## Conclusion

To borrow, or perhaps alter, a quote from the famous fixed income strategist Ferris Bueller, the bond market moves very fast; if you don't stop and look at the data once in

a while, you could miss it (Fed rate call). Against this ever-changing macro backdrop, I feel bond investors should focus on [yield](#)-enhanced core strategies, complemented with short-term government [floating rate Treasuries](#).

*Unless otherwise stated, data source is Bloomberg, as of April 8, 2019.*

For standardized performance and the most recent month-end performance click [here](#) NOTE, this material is intended for electronic use only. Individuals who intend to print and physically deliver to an investor must print the monthly performance report to accompany this blog.

For more investing insights, check out our [Economic & Market Outlook](#)

View the online version of this article [here](#).

**IMPORTANT INFORMATION**

**U.S. investors only:** Click [here](#) to obtain a WisdomTree ETF prospectus which contains investment objectives, risks, charges, expenses, and other information; read and consider carefully before investing.

There are risks involved with investing, including possible loss of principal. Foreign investing involves currency, political and economic risk. Funds focusing on a single country, sector and/or funds that emphasize investments in smaller companies may experience greater price volatility. Investments in emerging markets, currency, fixed income and alternative investments include additional risks. Please see prospectus for discussion of risks.

Past performance is not indicative of future results. This material contains the opinions of the author, which are subject to change, and should not to be considered or interpreted as a recommendation to participate in any particular trading strategy, or deemed to be an offer or sale of any investment product and it should not be relied on as such. There is no guarantee that any strategies discussed will work under all market conditions. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. This material should not be relied upon as research or investment advice regarding any security in particular. The user of this information assumes the entire risk of any use made of the information provided herein. Neither WisdomTree nor its affiliates, nor Foreside Fund Services, LLC, or its affiliates provide tax or legal advice. Investors seeking tax or legal advice should consult their tax or legal advisor. Unless expressly stated otherwise the opinions, interpretations or findings expressed herein do not necessarily represent the views of WisdomTree or any of its affiliates.

The MSCI information may only be used for your internal use, may not be reproduced or re-disseminated in any form and may not be used as a basis for or component of any financial instruments or products or indexes. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an “as is” basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each entity involved in compiling, computing or creating any MSCI information (collectively, the “MSCI Parties”) expressly disclaims all warranties. With respect to this information, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including loss profits) or any other damages ([www.msci.com](http://www.msci.com))

Jonathan Steinberg, Jeremy Schwartz, Rick Harper, Christopher Gannatti, Bradley Krom, Tripp Zimmerman, Michael Barrer, Anita Rausch, Kevin Flanagan, Brendan Loftus, Joseph Tenaglia, Jeff Weniger, Matt Wagner, Alejandro Saltiel, Ryan Krystopowicz, Jianing Wu, and Brian Manby are registered representatives of Foreside Fund Services, LLC.

WisdomTree Funds are distributed by Foreside Fund Services, LLC, in the U.S. only. You cannot invest directly in an index.

## DEFINITIONS

**Treasury**: Debt obligation issued by the U.S. government with payments of principal and interest backed by the full faith and credit of the U.S. government.

**ISM Purchasing Managers' Index**: Represents the health of the manufacturing sector based on new orders, inventory levels, production, supplier deliveries and the employment environment. A PMI above 50 signifies expansion while below 50 signifies contraction.

**10- Year Treasury**: a debt obligation of the U.S. government with an original maturity of ten years.

**Relative Strength Index (RSI)**: A technical analysis measure designed to track speed and price changes in an investment vehicle. It is used to identify potential overbought and/or oversold conditions.

**Fed fund futures**: A financial instrument that let's market participants determine the future value of the Federal Funds Rate.

**Yield**: The income return on an investment. Refers to the interest or dividends received from a security that is typically expressed annually as a percentage of the market or face value.

**Floating Rate Treasury Note**: a debt instrument issued by the U.S. government whose coupon payments are linked to the 13-week Treasury bill auction rate.