

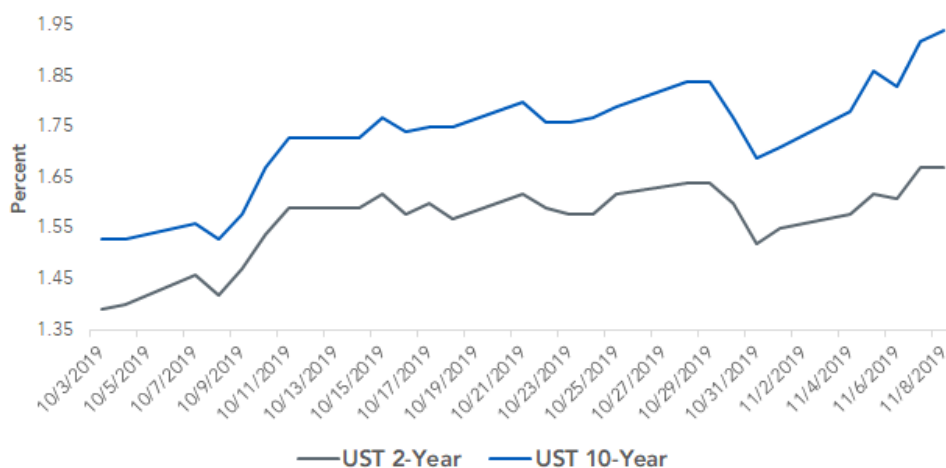
AS THE WORLD TURNS

Kevin Flanagan — Head of Fixed Income Strategy
11/13/2019

What a difference a month makes in bond-land. Just when investors thought [U.S. Treasury \(UST\) yields](#) were on the verge of moving even lower—BAM!—a rather visible sell-off ensued. In the process, one could be left wondering what happened to create such a shift in sentiment or if it is just another case of “as the world turns.”

Let's get some perspective on these recent developments. In early October, the UST 10-Year yield was challenging the 1.50% level again with the thought being that, perhaps, it would pierce through this level, much as it had a month earlier right after Labor Day. That was not to be the case. Was the Treasury market sending investors a signal about just how low rates could go? Interestingly, just a few weeks after this Labor Day low was registered, the UST 10-Year yield surged over 40 [basis points \(bps\)](#). Sound familiar? As of this writing, the UST 10-Year yield is up more than 40 bps from its October low. As of this writing, 1.94% yield takes us back to where the yield resided right after the [Federal Reserve's \(Fed\)](#) first [rate cut](#) in late July.

U.S. Treasury Yields



Source: Bloomberg, as of 11/08/19. Past performance is not indicative of future results.

What is the root cause? Usually, one looks toward the economy or any shifts in Fed policy, but the real catalyst was the announcement that the United States and China had come to a “Phase 1” agreement in trade negotiations. We’ve all seen firsthand the back and forth on this issue, so some cynicism is warranted. However, this time around, it seemed that maybe there could be some progress. In fact, headlines continue to suggest that Phase 1 may actually become a reality.

Then, economic data implied that the [recession](#) many market participants were anticipating sooner rather than later might not be coming anytime soon after all. Real [GDP](#) for the third quarter showed the U.S. economy maintaining a growth pace close to +2%, while the October jobs numbers underscored that the labor force setting remained quite solid, providing much-needed support for consumer spending.

Conclusion

So, where do we go from here? If the sell-off were to continue, the five-year [Fibonacci retracement](#) would put the UST 10-Year yield through the 2% threshold, with the next level being 2.0596%. The one-year analysis has 2.0947% as the next stop (you get the picture). This brings us back to pre-Fed-rate-cut days. But if history is any guide, be flexible with your rate call—the Twittersphere is always looming out there.

Unless otherwise stated, data source is Bloomberg, as of November 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)

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.