Starboard Advisors

February 01, 2018

LONG BOND TRADING AT HIGHEST LEVEL SINCE MAY 2017

In active Treasury trading today (Thursday, February 1, 2018), the US 30-year 'long' bond traded at the 3% level for the first time in nine months. It is worth noting that the S/P 500 Index was trading in the 2,350-60 area at that time. Since then the S/P Index has risen some 19.5% and rates moved lower. The current trend in rates, however, is decidedly higher. After peaking at 3% in May, the long bond rate declined to the 2.60 % level before beginning its current ascent in the fall of 2017.

Investors have four principal reasons to fear higher rates. We briefly summarize these connections below:

1) Higher rates will hurt housing, investment and general GDP growth;
2) Higher rates will negatively impact corporate profits and the corporate sector is largely a borrower whose interest costs penalize profits as rates increase;
3) As rates rise, equity margin traders are forced to cut positions or become motivated to move to the sidelines as their borrowing costs go up;
4) Most importantly, higher rates make alternative fixed-income investments more attractive, pulling funds out of equities (the current dividend yield on the S/P 500 Index is 1.9%) as investors seek higher current returns.

We will be watching these interest rate trends closely, but it does appear that investors will no longer be able to ride the coat tails of a lower interest rate environment.

-Tom Burnett, CFA & Vice Chairman of Wall Street Access

*We are pleased to be partnering with the Kelleher Family and their holding company **Wall Street Access**. Together and in collaboration with our **Investment Committee** we will be providing commentary on the capital markets. Tom Burnett, CFA & Vice Chairman of Wall Street Access, will be helping lead the charge for this portion of our client communications.*

Starboard Advisors, LLC a division of Wall Street Access Asset Management, LLC. Wall Street Access Asset Management is an SEC registered Investment Advisor and is an affiliate of Wall Street Access , Member NYSE , FINRA and Member SIPC. Although the information upon which this material is based has been obtained from sources which we believe to be reliable, we do not warrant its completeness or accuracy. This presentation is for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of any security or investment.