

## The Day Ahead: Considering The French Connection as We Wait For Real Market Movers

Not every day is destined to be significant (or even interesting) for the bond market. Depending on the outcome of today's only relevant calendar event--this afternoon's 10yr Treasury auction--today may be just such a 'placeholder.' But what it lacks in terms of excitement, it makes up for in terms of being inoffensive from a directional standpoint. Specifically, yields moved nicely lower overnight and remain in stronger territory after a modest morning pull-back. Even if the auction changes things in a seemingly big way, it would still pale in comparison to the potential volatility associated with tomorrow's CPI/Fed combo.

As for today's market movement so far, the typical correlations aren't doing a good job of explaining things. Even the following may be a bit presumptuous, but it's the most obvious correlation when it comes to events that are actually new and newsworthy. You'd be forgiven for not being up to speed on this news, however, since it involves political drama in France. In not so many words, the associated uncertainty pushed French yields sharply higher overnight and caused a flight to safety that benefited German and US debt. Now this morning, some of the pull-back in Treasuries also correlates with a correction in the French sell-off.



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