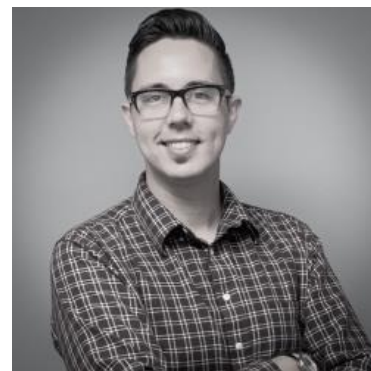


## The Day Ahead: Morning Weakness a Simple Factor of Positioning

It can be a bit tricky to understand the roll of various forms of positioning when it comes to otherwise inexplicable movement in the bond market. It's also a fairly vague term that can refer to several different things. These include month-end trading, new-month trading, position squaring and short covering, to name the usual suspects. The effects of position-driven trading are amplified by the low volume and light liquidity of a major holiday weekend, and all of the above are playing a role in this morning's weakness. In a nutshell, there was never any genuine strength after last Friday's opening bell. We actually specifically entertained the possibility of short-covering driving those gains. This morning, we're simply seeing those short-positions being re-entered.



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