

## The Day Ahead: Another Red Day. Is There Any Reason For Hope?

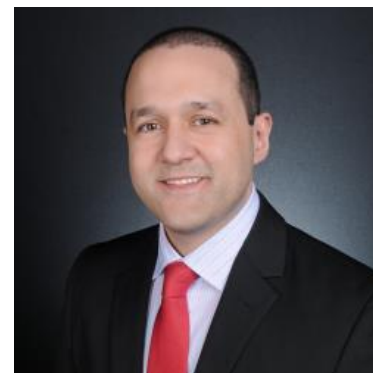
Bonds can't seem to catch a break this week. Data hasn't necessarily been unfriendly either with both CPI and PPI hitting forecasts at the core monthly level (not to mention higher-than-expected jobless claims). Despite that, rates have risen every day this week with the biggest sell-offs ironically on the days with the not-unfriendly data. Friday is effectively data free with only import/export prices (a report that never has an impact) and bonds are selling off once again.

We have to agree that there are non-data-related reasons for this week's weakness, but from that point on, the assignment of blame becomes somewhat speculative. Opinions range from "pre-Fed positioning" to "year-end balance sheet constraints." Those are hard to prove, and maybe we don't need to have an ironclad scapegoat to simply observe this trend is not our friend until further notice.

That much is obvious, but what's next? It's always a coin flip, more or less, but if you're looking for hope, here are a few options. First, yields just filled an opening gap from Monday Nov 25th. Some technicians think this is the kind of thing that precedes a friendly bounce.



One could also consider even longer term trends where yields have moved from the bottom to the top of a trend channel that has been intact for more than a year now. Of course, trend channels aren't permanent, but if we do happen to see rates show some resilience next week, these technical considerations would bolster the case for that rally to have a bit of staying power.



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