The Day Ahead: Post-Fed Trade Turning Out As Expected

Heading into this week's Fed announcement, we noted the consolidation pattern in bonds (the convergence of intraday highs and lows in an increasingly narrow range). After the favorable reaction to the Fed, the highest probability outcome was that the consolidation would shift gears into more of a sideways range, and that's exactly what we're seeing so far. The underlying rationale is that, without big ticket data or major unforeseen shocks, bonds lack sufficient motivation to challenge recent highs or lows. Waiting game...

The shift from consolidation pattern to range trade is easier to see with hourly candles, which greatly reinforce the ceiling near 4.34 more than anything. As always, these are just lines on a chart that help frame the recent trends. They have no power to predict the future. Some technicians might conclude a break above 4.34 would be bad news while others might view it as a cue to buy.

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