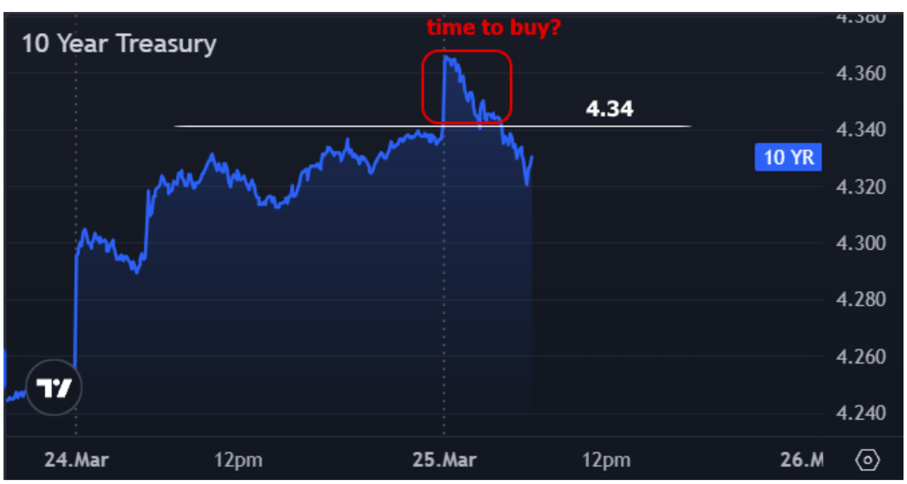
The Day Ahead: Bonds Filling The Gap or Just Tired of Selling?

Bonds came into the domestic session in weaker territory after steady selling in Europe. The resulting yields were ultimately a few bps higher than the nearest technical ceiling in the 10yr (4.34), which is also the lower boundary of a "gap" created by the big overnight rally on February 25th. Technicians could view this movement two ways. On one hand, a break above the technical ceiling could cause concern about additional selling. Conversely, a move back into a gap could be viewed as a cue to buy again. Interestingly enough, bonds began rallying right at the official start of the domestic session. Is this enough to conclude that the "fill the gap" crowd is in charge? Probably not. In a sideways range, the typical pattern involves 1-3 days of gains followed by 1-3 days of weakness. This is still a generally sideways market that's waiting for more serious motivation.



Joseph Moran
President, Home Fast Funding Inc.
www.gethomefast.com
P: (813) 940-7272
jmoran@homefastfunding.com
100 South Ashley Drive
Tampa FL 33612
156840
1639621