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The Day Ahead: A "No Whammies" Rally For Bonds After Data and Powell

This morning's market action is quickly helping us understand the enigmatic trading seen yesterday (i.e. a sell-off without any great scapegoats). Retail sales' control group was well below expectations and helped validate a moderate overnight rally. Bigger moves and more sustained volume followed Powell's scheduled speech at the policy framework conference. Perhaps there was a concern that Powell's update would hint at a shift toward tolerating "higher for longer" policy rates in the same way that the 2020 framework review resulted in a "lower for longer" playbook. The net effect has been a nearly complete reversal of yesterday's weakness, but yields are currently bouncing before finishing that job.



Paul Gowen

Broker/Owner, Willamette Falls Financial

www.willamettefallsfinancial.com

P: (503) 922-1499

M: (503) 381-0736

4800 Meadows Rd
Lake Oswego OR 97035
272830

