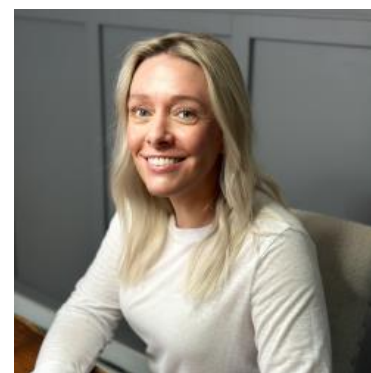


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The Day Ahead: Budget Battle Hitting Bonds Amid Empty Calendar

It's a holiday-shortened week with a relatively empty economic calendar, thus forcing the bond market to find its movement cues elsewhere. To some small extent, [corporate bond](#) issuance has had an impact behind the scenes. It was lower than expected yesterday, which may have helped, and is picking back up today, which may be hurting. But the bigger pain aligns fairly clearly with various newswires surrounding the budget battle. In the most basic sense, bonds are protesting a lack of fiscal restraint. Nothing has been passed yet, but the concern is that a flurry of pressure from the White House could force a few hold outs to change their vote. Bonds wouldn't like that because as it stands, the bill would likely result in higher Treasury issuance.



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