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The Day Ahead: Hesitation Ahead of Treasury Auction and Month-End

After starting the holiday-shortened week on a positive note yesterday, bonds are already circling the wagons and encountering some resistance. This doesn't necessarily kill the notion of a supportive ceiling overhead, but it does confirm the broader, persistent reality: bonds will need a compelling reason for sustained improvement. This could take the form of exceptional weakness in economic data, surprisingly tame inflation, or the seemingly impossible accomplishment of lowering Treasury issuance via fiscal policy. As for today, bonds are moving to the sidelines ahead of the 5yr Treasury auction. There also looks to be some front-running of month-end rebalancing with risk parity trading hitting both stocks and bonds at 9:30am.



Reimund Maks

Mortgage Broker, Fenero Capital, Inc.

www.fenerocapital.com

M: (925) 389-9149

rei.maks@fenerocap.com

1212 Broadway Plaza
Walnut Creek CA 94596

NMLS# 765098

DRE# 02089250



FENERO CAPITAL