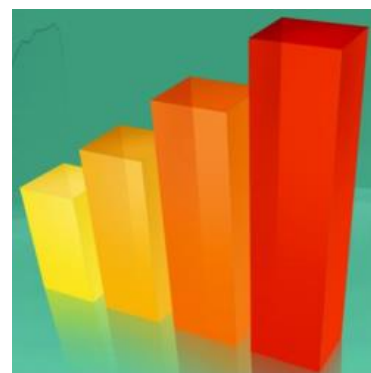


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The Day Ahead: Empty Calendar and a Sideways Start

Monday is proving to be a good candidate for a bonus summertime weekend day so far. Volumes and volatility were low overnight and trading levels are inconsequentially weaker after. There was a small amount of selling in Treasuries at 7am, but a recovery after the 9:30am NYSE open. We're now right in line with most of the overnight session. In the bigger picture, nothing much has changed since last Tuesday. Bonds rallied nicely in June, with an acceleration into the end of the month. Early July weakness erased the gains associated with that acceleration and we're now waiting for Tuesday's CPI to either reinforce this technical ceiling or bump yields back up toward 4.5%.



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