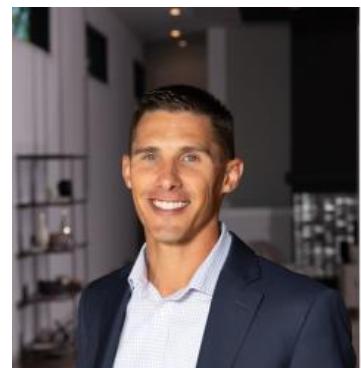




## The Day Ahead: Technically Open, But Unofficially Still a Holiday Trading Session

Although the bond market is technically open today, it might as well not be. Late year holidays (Thanksgiving, X-mas, New Year) depress volume and liquidity more than any others. Today is neither an official holiday nor an early close day, but considering Christmas fell on a Thursday and the federal employee holiday, trading is just as sparse as it was on Christmas Eve. Algorithmic trading programs are doing the vast majority of market making (i.e. determining prevailing levels for buyers and sellers). Bonds will remain sideways in a very narrow range until non-algo trades force a modest move higher or lower. At that point, yields can make a short run in the direction implied by those trades before leveling off in a sideways pattern to wait for the next legit input. If you prefer, you can disregard all of the above and simply understand that the next "real" trading in the bond market won't happen until the week of January 5th.



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