

MBS & TREASURY MARKETS

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The Day Ahead: Gap Filled. Time to Sell?

There are few developments in bond market charts that can lead even fundamental analysts to acknowledge the [technicals](#). One of the most common catalysts for this phenomenon is the simple range breakout following by a filling of the gap created between yields on 2 consecutive days at the time of the breakout. But such gaps are less common and less easy to agree upon than simple range boundaries. So to make things simple, we'll consider the "gap" upward in 10yr yields to simply be the recent altitude achieved above the 4.20% technical ceiling. With Monday's yields making it down to 4.203, the gap is arguably filled.



More often than not, traders view this as cleansing of [positional](#) imbalances that sets the stage for more selling. In practice, however, the future is never so easy to predict. Events and econ data could easily promote one outcome over the other, but we'll be waiting a while for actionable events. Today offers nothing but low-grade market movers and that assessment won't change until next week's data starts rolling in.



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