The Day Ahead: Different Week, Same Selling

Selling continues to be the path of least resistance for the bond market. Open interest data from Treasury futures suggests Friday's "short-covering" assessment may not be the only story. Reason being: open interest moved HIGHER (it would be much easier to conclude short-covering drove the move if open interest was lower). The counterpoint is that new short positions in the afternoon could have merely offset the AM short-covering. Heading into the current week, bonds did their best to hold flat overnight but have been increasingly pressured by fuel prices and technicals. Oil is up about $4 from Friday and there was additional technical selling when 10yr yields hit 5%. Bigger decisions will be made after Wednesday's Fed announcement--for better or worse.

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