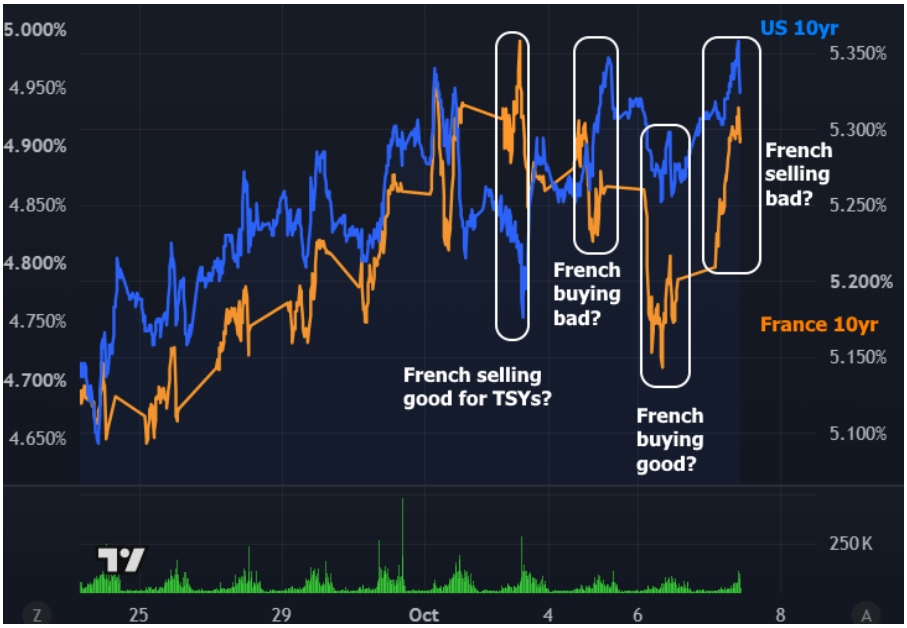
The Day Ahead: No Surprise: It Was a Trap

If there's been a safe bet to make on isolated rally days over the past 2 months, it's that they'll be soon followed by a return to the prevailing trend toward higher rates. Today fills that role with gusto. We hate gusto--this kind anyway. Unfortunately, this kind of gusto is all we have, and there's no convenient, singular explanation even though many will try to tell you there is. We can tell you that it's not oil, Europe, auctions, war headlines, corporate issuance, fiscal concerns, strong economy, or foreign demand. But at any given point in the uptrend, several of these things may be in play (other than "auction concerns"... that's just something someone says on auction day when they don't know why yields are higher).

Let's pick something to make fun of. The top pick would have to be "auction concerns," but there's no fun way to put that on a chart, so let's use "Treasuries are worried about France." If someone tells you that today, ask them to clarify whether it's higher or lower French yields that are good/bad for US yields, because all 4 combinations have been argued in the past week:



Paul Gowen
Broker/Owner, Willamette Falls Financial
www.willamettefallsfinancial.com
P: (503) 922-1499
M: (503) 381-0736
4800 Meadows Rd
Lake Oswego OR 97035
272830

Antoinette Berg
Living Room Realty
https://www.livingroomre.com/
P: (503) 753-4334
toni@yaschagroup.com

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