

Market Commentary

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*The Treasury market is trading slightly higher this morning as investors continue to “assess” Friday’s Employment Report as either the beginning of a real turn or just a good number for the month. The previous month revisions tend to support the “turn,” but we have seen this movie before and the “slasher” has won most of them. This week is less about the economic numbers and more about Treasury supply and Europe, but there are a couple of numbers worth noting. Tomorrow we will get Consumer Credit for December, which is expected to come in around \$7.0 billion. Thursday’s Jobless Claims number should be of interest to traders, and Friday’s Trade Balance and University of Michigan’s Consumer Confidence Index will be important consumption indicators. The real “meat” comes from the Treasury’s auction of \$26.0 billion of 1-year Treasury bills and \$32.0 billion of 3-year notes tomorrow. This will be followed up by the sale of \$24.0 billion of 10-year notes on Wednesday and \$16.0 billion of 30-year bonds on Thursday. These auctions will likely measure interest in dollar-denominated debt along with a test of whether investors are becoming more “risk on” than they were a week ago. Greece is at the center of Europe’s angst as those leaders continue to try to convince the leaders of Greece to accept the terms of a bailout, and for some reason, the European leaders are worried that Greece may balk, again. With an almost certain default in the balance if they don’t, I find it hard to believe that they are still debating this, but stranger things have happened...I think. So, as we start the week, the landscape looks like this: coming off the heels of a terrific jobs number, the equity market is optimistic and the Treasury market is still skeptical, but is willing to sacrifice some price in the balance. Europe is...well, Europe and a lot could happen in the next couple of days that would sway opinions on risk one way or the other. The Treasury, steady as she goes, is issuing some \$100.0 billion debt from 1-year to 30-years, likely at rates from 12.0 basis points to 3.15%. Should be a lot of fun! **More information available upon request.***

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