

Saturday 11 November 2017

## Quotable

“A well-thought-out story doesn’t need to resemble real life. Life itself tries with all its might to resemble a well-crafted story.”

— Isaac Babel

## Commentary & Analysis

**Yields going higher? That’s our guess.**



As a trader considering the fate of interest rates it pays to remain open to all “well-crafted stories.” Why? Because, based on many years of empirical evidence in the bag, we agree with the old saw: No one can forecast interest rates.

This is not to suggest many market mavens *do* indeed get the rate call correct; but most employ the gift of hindsight and the magic of publishing to make it happen. I’m still looking for a way to open a trading position on hindsight--that would be the Holy Grail.

The lead narrative for Black Swan Capital is interest rates are headed higher, at least over the near-term (one- to three-month time frame months). The inputs for this narrative include the usual mix of fundamentals, sentiment, and technical factors. That being said, I thought comments by Lena Komileva, chief economist at G + Economics, printed in today’s *Barron’s* magazine summed it up well; in two concise sentences she explains why we are long rates, or short long bonds:

“What the markets are clearly ignoring at this point is that policy continuity is not a static phenomenon; it’s trend. And the trend is toward reduced policy stimulus from the Fed at a time when the economy is at full capacity and is showing signs of boiling over.”

In other words, Ms. Komileva is expecting higher interest rates. Our technical view below for US 10-yr benchmark yields:

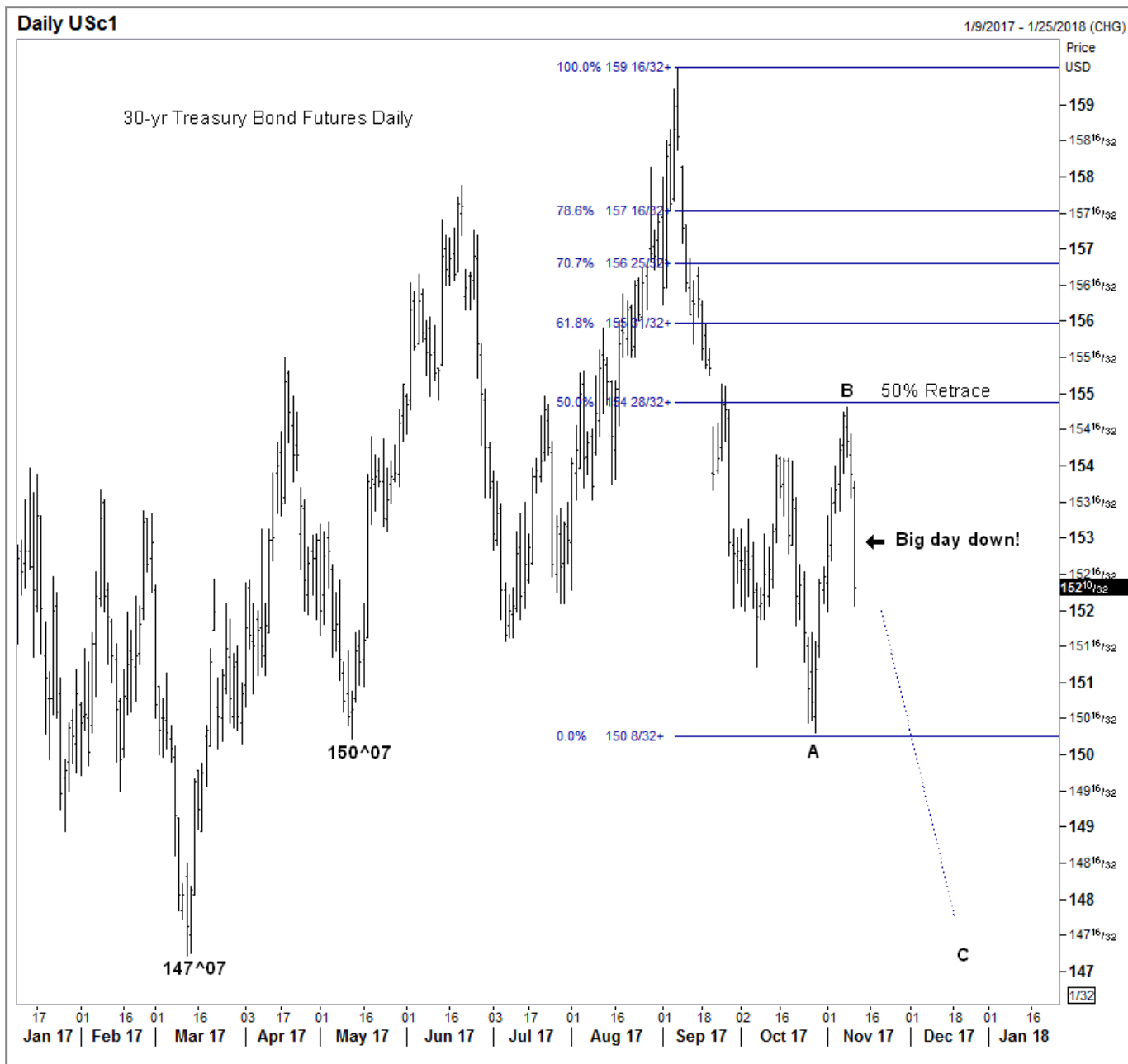
**US 10-yr benchmark yield vs. US \$ index (blue dotted line) Daily:** We are looking for a test of the swing high in yield (and maybe more) up toward 2.629%.



**30-year US Treasury Bond Futures Next Page**

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**30-yr US T-Bond Futures Daily:** Another 5+ points to the swing low at 147^07? Key support (double-bottom) at 150^07.



That's are story and we are sticking to it; until we're not. ☺

Regards,

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