

Macro Roundup Article

Headline: [Relief After Refunding](#)

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Author(s)	Praveen Korapaty, Simon Freydenet, Ravi Raj and Gustavo Pereira
Publication	Goldman Sachs
Publication Date	November 07, 2023

Tweet: [@GoldmanSachs](#) writes that the sharp drop in rates last week was driven by portfolio positioning, and suggests that investors have recently overweighted the impact of Treasury supply on rates.

Summary: UST yields declined sharply over the course of the week—the benchmark 10y yield, which was only 5bp below its recent high as of last Tuesday’s close is now over 40bp lower. This move lower was aided by a trio of factors. First, the refunding meeting suggested less duration supply was in the offing relative to what many investors expected. We have been of the view for a while now that investors were overestimating the effects of supply on market-clearing yield levels, and the dominance of price-sensitive marginal investors meant more volatility in longer-term bond yields with swings in the macro outlook rather than simply higher yields. Second, following last month’s strong economic momentum, macro data have finally begun to show signs of cooling—both ISM reports and the labor market report surprised to the downside. Third, we think positioning was somewhat short in at least a portion of the investor base, particularly at the long end (we do think there are substantial structural overweights at shorter maturities).

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