

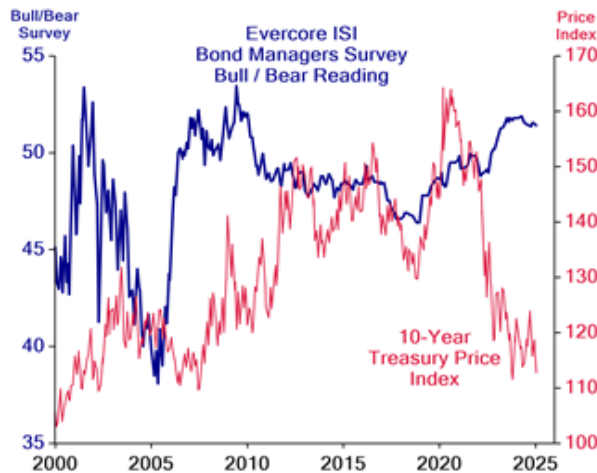
Stan Shipley

## Bond Surveys vs Bond Performance

### Thought Of The Day

Oscar Sloterbeck's team surveys bond managers weekly and collects a 'bull / bear' reading, their duration sentiment and view of credit. Three themes are clear.

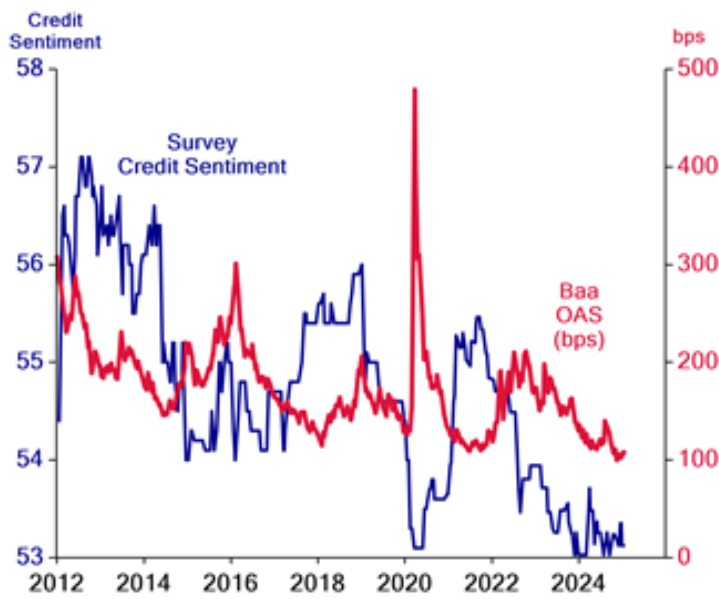
1. **Bond managers are bullish on the 10-year Treasury.** While the odds of a recession have essentially vanished, they still expect lower inflation and yields. Actual Treasury prices do not yet reflect that outcome.
2. They are not positive concerning duration. **Sentiment toward duration has deteriorated as the 10-year yield has surged higher.**
3. **Desirability of credit is low as managers are not enamored with low credit spreads.** If the debt calendar turns higher, low credit spreads are at risk.



*Bond managers' "Bull / Bear" sentiment of the expected price change for the 10-year Treasury has become significantly disconnected from the actual price changes. Why? Since Dec 2022, bond managers became more enamored with the 10-year, in large part because real yields are now high. However actual prices fell and reflected the normalization of term premiums and rate structure.*



*There is no disconnect between bond duration sentiment and relative performance of 10-year to 2-year Treasury total return. Duration reading is low and has turned down in the past three weeks. On cue, the relative performance for Treasury securities has turned down in favor of shorter duration issues and is consistent with inflation cooling and the Fed cutting the policy rate.*



*Low credit spreads have weighed down sentiment towards credit. Credit risk is just not well rewarded as bond investors are chasing yield with economic growth solid.*

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