

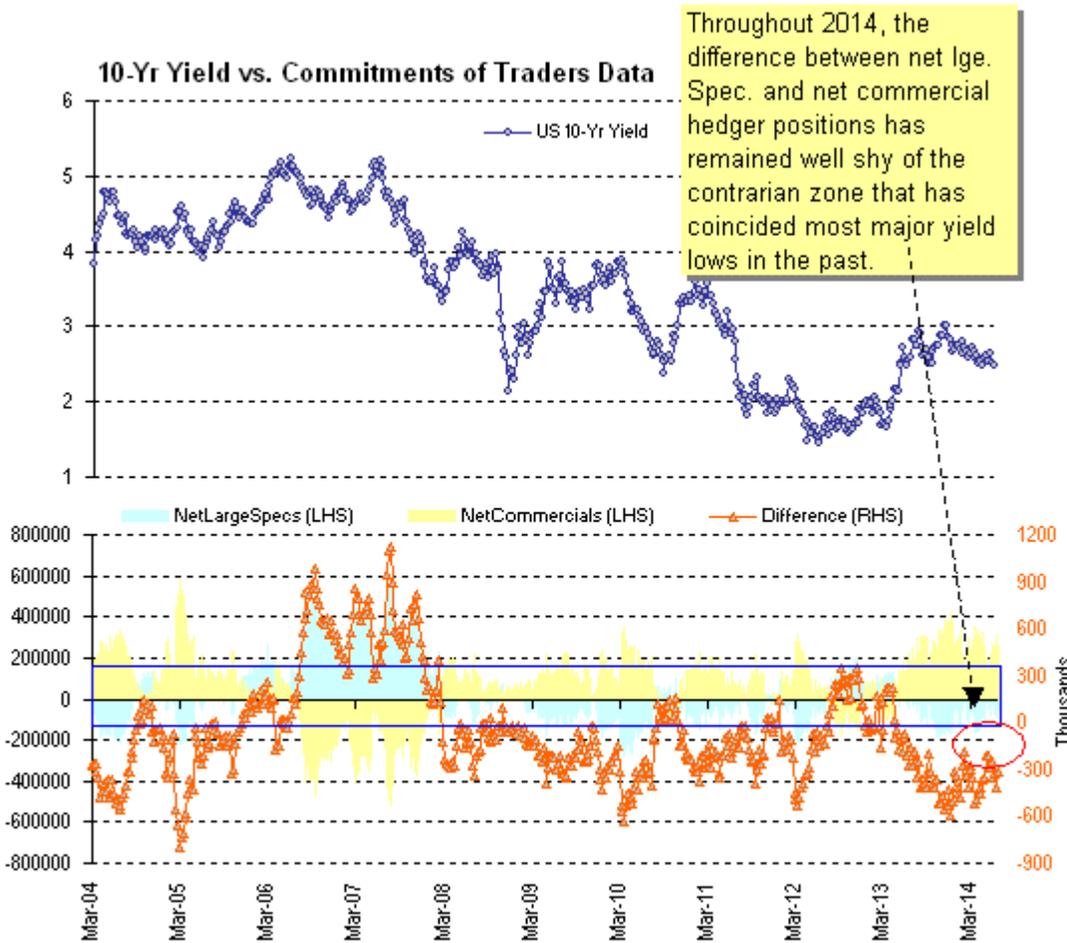
**Chart of the Day: Traders Just Aren't Bullish Enough Yet**

by Mike Sacchitello, CMT

July 21, 2014

--Stone & McCarthy (Princeton) - This past Friday, we posted [10-Yr Yield Takes Its Cue From Small Caps](#) in which we spelled out just how important the coming days to weeks of trading will be in determining the path for US Treasury yields heading into year-end. For today's Chart of the Day, we thought it would be helpful if we complemented Friday's commentary with a look at what the market's psychological backdrop looks like as the benchmark Treasury yield nears a critical test of its 2014 lows.

Earlier this morning, we posted our analysis of the latest CFTC Commitments of Traders (CoT) report, which was released on Friday afternoon and consisted of data through July 15th. As the chart below shows, one of the main indicators (the difference between net large speculator and net commercial hedger positions) that we track to help locate high probability sentiment extremes remains within the same benign range that has been developing ever since the bearish extreme that we highlighted [here](#) during the early days of January.



Source: CFTC, Bloomberg Professional

While it is entirely possible that some degree of price top (yield bottom) in response to overshooting momentum/mean dispersion conditions may be just days from beginning, **the moral of today's story is that there just isn't enough of a sentiment extreme to suggest that a MAJOR price top is in the cards.**

**STRATEGY**

**Serious Research For Market Professionals**

Stone and McCarthy Research Associates (SMRA) offers comprehensive, independent macro-economic and financial market research for fixed-income and equity/macro market participants.

SMRA provides forecasts and analysis of the key economic data and financial market developments that are important to fixed-income traders and investors. We focus on the U.S. macroeconomic outlook, Federal Reserve policy, the market for U.S. Treasury securities and U.S. fiscal policy. We cover key developments in other fixed income markets, including the corporate, agency debt and MBS markets, and the short-term money markets.

Stone & McCarthy stands apart from the competition because we complement our economic research with the risk management benefits of technical market analysis. In addition to daily coverage of major stock, Treasury, currency, and commodities markets, our CMT-designated staff technician analyzes inter-market flows, sentiment and mathematical price relationships for significant developments that can change the broader market's risk profile.

Our research runs the spectrum from concise intraday updates to in-depth analytical research commentaries. We provide a running scroll of "snapshots" that keep subscribers current on developments in global financial markets. On a weekly basis, we published the results of the widely followed SMR Portfolio Managers' Survey.

Key reference materials are available on our website and on our Bloomberg product, including economic and market calendars, historical economic data, and historical auction result data.

Our research is delivered in a number of ways; subscribers can choose what works best for them. All of our research is on our website [www.smra.com](http://www.smra.com) and on our Bloomberg product at SMRA GO. Subscribers can get the research that matters most to them delivered directly to their inbox; we also alert our readers via Twitter when we have posted new research to our website.

The SMRA analysts collectively have decades of experience in economic and fixed income research and technical analysis. Our analysts are always available to our subscribers to discuss our research and to respond to specific requests for research.

**Contact A Regional Sales Office**

 <p><b>(For North &amp; South America Sales)</b></p> <p>2 Research Way Princeton, NJ 08540</p> <p><b>Tel:</b> 001 609 683 5237 <b>Fax:</b> 001 609 683 9580</p>	<p><b>(For All Global Regions)</b></p> <p>Please Contact the Princeton, NJ USA Office</p> <p><b>Tel:</b> 001 609 683 5237 <b>Fax:</b> 001 609 683 9580</p>

**DISCLAIMER**

THE MATERIALS IN THIS REPORT ARE PROVIDED "AS IS" AND WITHOUT WARRANTIES OF ANY KIND EITHER EXPRESS OR IMPLIED. SMRA DISCLAIMS ALL WARRANTIES, EXPRESS OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE. SMRA DOES NOT WARRANT THAT THE FUNCTIONS OR INFORMATION CONTAINED IN THE MATERIALS WILL BE UNINTERRUPTED OR ERROR-FREE, THAT DEFECTS WILL BE CORRECTED, OR THAT ITS SITE OR THE SERVERS THAT MAKE IT AVAILABLE ARE FREE OF VIRUSES OR OTHER HARMFUL COMPONENTS. WE DO NOT WARRANT OR MAKE ANY REPRESENTATIONS REGARDING THE CORRECTNESS, ACCURACY, RELIABILITY, OR OTHERWISE OF THE MATERIALS IN THIS REPORT OR THE RESULTS OF THEIR USE. YOU (AND NOT SMRA) ASSUME THE ENTIRE COST OF ALL RESULTS FROM USE OF THIS REPORT OR THE MATERIALS CONTAINED IN IT. APPLICABLE LAW MAY NOT ALLOW THE EXCLUSION OF IMPLIED WARRANTIES, SO THE ABOVE EXCLUSION MAY NOT APPLY. SMRA DOES NOT ENDORSE ANY OTHER WEB SITES LINKED FROM ITS WEB SITE OR MAKE ANY REPRESENTATION AS TO THEIR COMPLETENESS, ACCURACY OR COMPLIANCE WITH APPLICABLE LAWS. THE INFORMATION IN THIS SITE IS NOT INTENDED TO CONSTITUTE, AND SHALL NOT BE CONSIDERED, INVESTMENT ADVICE OR THE RECOMMENDATION TO PURCHASE OR SELL ANY SPECIFIC SECURITIES OR CATEGORY OF SECURITIES.

**LIMITATIONS OF LIABILITY.**

Under no circumstances shall SMRA be liable for any special or consequential damages that result from the use of, or the inability to use, the materials in this report, even if we or one of our authorized representatives has been advised of the possibility of such damages. Applicable law may not allow the limitation or exclusion of liability or incidental or consequential damages, so the above limitation or exclusion may not apply. In no event shall our total liability for all damages, losses, and causes of action (whether in contract, tort or otherwise) exceed the amount paid, if any, for accessing this site.