MARKETS | THE TRADER

This Data Point Signals the Rally Could Be Nearing an End

By Ben Levisohn Feb. 26, 2021 7:42 pm ET

Order R

...

The New York Stock Exchange: You don't have to doubt the Fed to be worried about the possibility of rising interest rates.

The Dow Jones Industrial Average fell 561.95 points, or 1.8%, to 30,932.37 this past week, while the S&P 500 index dropped 2.4% to 3811.15, and the Nasdaq Composite slumped 4.9% to 13,192.35.

...

Usually, we can point to a big event or a piece of economic data that shook up the market, but that wasn't the case this time. The data were solid, with weekly jobless claims dropping more than expected, durable-goods orders rising more than forecast, and personal income getting a big boost from stimulus checks sent out in January.

...

But there was the 10-year Treasury yield. After ending the previous week at 1.344%, it surged as high as 1.61%, according to Tradeweb, before ending the week at 1.46%. It wasn't the first surge in yields in recent months, but this time it was led by a change in real yields—which turned less negative—rather than a shift in inflation expectations. It also meant that investors holding the iShares

...

There's another problem with rising yields, one that could have bigger implications down the road. The U.S. Treasury held two auctions this past week, and the seven-year auction, in particular, stunk. Words that were used to describe it included "awful," "terrible," and "horrible," and we could probably throw in "no good" and "very bad" as well. Treasury yields moving higher because of a stronger growth outlook is one thing, but it's another if no one wants to buy them, says Deutsche Bank strategist Alan Ruskin.