

# Hedge fund bearishness on U.S. Treasuries nears extreme levels: McGeever

COLUMN By Jamie McGeever 05-Sep-2022 07:59:00



U.S. Dollar banknote is seen in this illustration taken July 17, 2022.  
DADO RUVIC

**The opinions expressed here are those of the author, a columnist for Reuters.**

ORLANDO, Fla., Sept 5 (Reuters) - Hedge funds continue to up their bets on higher U.S. bond yields but there are signs that the size of this collective wager and the pace at which it has been built are reaching extreme levels.

What has been a highly lucrative trade this year could be about to run out of steam.

The Commodity Futures Trading Commission report for the week to Aug. 30 is the first snapshot of speculators' positioning after Fed Chair Jerome Powell's affirmation in Jackson Hole of policymakers' commitment to do whatever it takes to get inflation back down towards target.

The latest CFTC report shows funds increased bearish bets on Treasuries across the curve.

They increased net short position in two-year futures to 281,600 contracts from 241,143 contracts, the biggest bearish bet on two-year bonds since April last year.

A closer look at the data shows the historic significance of the recent move. Funds have added to that short position for six consecutive weeks, the most bearish streak in four years, and the increase of almost 200,000 contracts in August was the second biggest bearish monthly swing on record.

A short position is essentially a wager that an asset's price will fall, and a long position is a bet it will rise. In bonds and rates, yields fall when prices rise, and move up when prices fall.



The Bloomberg U.S. Aggregate Bond Index .BCUSA is down 12.5% from its highs, more than double any previous peak-to-trough decline going back to the 1970s. Global bonds are down 20% from their peak for the first time ever. (Full Story)

Analysts at Goldman Sachs reckon the latest U.S. jobs data will signal a pause to the "upward repricing" of U.S. interest rates, and Morgan Stanley says the recent low in Treasuries will be a turning point "in view of the Fed's aggressive action that has yet to fully play out in the real economy."

(By Jamie McGeever; Editing by Sam Holmes)

(( jamie.mcgeeever@thomsonreuters.com ; +1 (407) 288-5607; Reuters Messaging:  
jamie.mcgeeever.reuters.com@reuters.net ))

(c) Copyright Thomson Reuters 2022. Click For Restrictions - <https://agency.reuters.com/en/copyright.html>

Keywords: MARKETS-FUNDS/TREASURIES (COLUMN)

nL8N30B0E1

Copyright © 2022 Refinitiv and/or its affiliates. All rights reserved. The Refinitiv content received through this service is the intellectual property of Refinitiv or its third party suppliers. Republication or redistribution of content provided by Refinitiv is expressly prohibited without the prior written consent of Refinitiv, except where permitted by the terms of the relevant Refinitiv service agreement. Neither Refinitiv nor its third party suppliers shall be liable for any errors, omissions or delays in content, or for any actions taken in reliance thereon. Refinitiv and its logo are registered trademarks or trademarks of the Refinitiv group of companies around the world.