

OK Everyone, I believe what I have been warning of with Treasury bonds is starting to take place.

There they go! Treasuries, that is. The price of the long bond collapsed in last Friday's abbreviated trading session thanks to news the economy created 162,000 jobs in March. That was a major swing from February, when 14,000 jobs were lost. Hiring for the 2010 Census clearly skewed the results higher. But even if you strip that impact out, the report was generally positive.

Moreover, other economic data is confirming the rebound. Pending home sales surged 8.2% in February, the biggest one-month rise since October 2001, right after the 9/11 terrorist attacks. ISM reports on the manufacturing and service sectors of the economy both topped forecasts. And consumer confidence is climbing.

Throw in budding inflation fears ... massive Treasury issuance ... and worries about sovereign credit quality, and you've got a perfect storm for Treasuries. There is simply NO WAY they can hold up with all these pressures, and indeed they're not. The long bond futures plunged more than a point in price on Friday, and they're down another half-point in price as I write today.

Bottom line, we saw this coming so we don't hold Treasury Bonds in our portfolios; therefore I don't see this affecting us too much unless the selling spills over into other types of bond funds as well. I will continue to watch this closely and keep you updated on any developments.

Valerie Holcomb  
Cascade Financial Group



607 Cascade West Parkway  
Grand Rapids, MI 49546  
(616) 575-2020  
(616) 957-4142 Fax:

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