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Bonds vs. Stocks: Short-term Reversal Of Fortunes Due? (SPY, TLT)

Related Stocks: [SPY](#), [TLT](#)

Michael Panzner submits: Bonds have fallen relative to stocks since May of last year, with the pace of decline accelerating since February.

However, with the ratio of the iShares Lehman 20+ Year Treasury Bond ETF (AMEX: [TLT](#)) to the SPDR Trust Series 1, or “Spider” (AMEX: [SPY](#)), hitting oversold extremes and showing signs of negative momentum divergence, Friday’s weaker-than-expected April jobs report could be a catalyst for at least a short-term technical reversal of fortunes.

Why? Because even though investors in both markets might welcome signs of slower growth and the potentially positive impact that can have on monetary policy, beaten-down bonds will likely be the primary beneficiary as individuals and institutions look to lock in long-term yields above 5%.

One possible pairs trade: buy the bond ETF ([TLT](#)) and short the stock ETF ([SPY](#)).



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Posted: Monday, May 8th, 2006 by [Michael Panzner](#)

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