It was overbought then. It is oversold now ... but let's not pretend we haven't seen these hiccups before. We have had no fewer than eight such episodes of 50+ basis point spasms since yields peaked in the summer of 2007. Each one did not last long and presented a gift of a buying opportunity for patient investors who have an ability to see the forest past the trees. Typically, these hiccups last 49 trading days and the yield rises an average of 88bps, with about three quarters of the prior rally being reversed.

Even though this recent setback of Treasuries has exceeded the historical norm in duration and as such a near-term bounce is likely in the offing, recent history suggests it is not impossible to see a move to a 2-2.3% band during this time.

But is this nothing more than a blip in what is still a secular bull market in bonds? Recent history would say yes.

CHART 8: SPASMS IN THE TREASURY MARKET

United States: 10-Year U.S. Treasury Notes

Peak		Trough		Chg. in yield	Time span	Reversal of preceding rally
Date	Yield	Date	Yield	Bps	Days	Percent
November 26, 2007	3.83	December 26, 2007	4.30	47	23	33%
March 20, 2008	3.34	June 13, 2008	4.27	93	62	97%
September 17, 2008	3.41	October 14, 2008	4.08	67	20	78%
December 18, 2008	2.08	June 10, 2009	3.98	190	125	95%
July 10, 2009	3.32	August 7, 2009	3.89	57	21	86%
October 7, 2009	3.21	December 31, 2009	3.85	64	62	94%
October 8, 2010	2.41	December 15, 2010	3.53	112	49	70%
September 22, 2011	1.72	October 27, 2011	2.42	70	26	34%
		Average		88	49	73%
July 25, 2012	1.43	January 7, 2013	1.92	49	119	51%

Source: Haver Analytics, Gluskin Sheff