

# Profitable INVESTING Tips

Stock Market Investing Tips, Techniques, and Resources



## Treasury Notes

Periodically congress decides to get into fight over whether to approve the next budget or not. But rather than work on the issue of an ever increasing national debt before the fact, congress has made a habit of playing chicken with the full faith and integrity of the US government. When another high stakes game of “chicken” on Capitol Hill occurs on Capitol Hill investors will be wondering what will happen to Treasury Notes (T-notes) if the US does not extend its ability to borrow to fund current expenses. Likewise investors in Treasury Notes may well wonder what the future is for interest rates on Treasury Notes and the value of the US dollar related to foreign currencies if the United States does not effectively deal with its long term debt. Treasury Notes are notes issued by the US government. They have maturities of two, three, five, seven, and ten years and a denomination of \$100. Investors can buy Treasury Notes directly from the US Treasury, through a bank or through a stock broker. T-notes are often part of an investment portfolio for a conservative investor. They pay interest every six months until maturity at which time the owner gets back the principal. Treasury notes are also traded as their value fluctuates with prevailing interest rates. Investors can follow short term changes in T-notes and interest rates in general with Candlestick analysis just as they can follow stocks and commodities. It is important to do strict **fundamental analysis** of all factors involved when investing in treasury notes.

### Treasury Notes and Fluctuating Interest Rates

It is the possibility of unpredictable interest rates that concerns investors and piques the interest of traders. T-notes are a form of interest rate investing. In long term investing a person will commonly purchase Treasury Notes and hold to maturity. In day trading one can follow fundamental analysis of interest rates and technical analysis of the interest rate market with technical analysis tools such as Candlestick pattern formations. In **value investing for long term profits** investors often wait until interest rates spike and then buy and hold for the long term.

### The Nuts and Bolts of Treasury Notes

Investors and traders of Treasury Notes can place either competitive or noncompetitive bids for notes which are sold at auction or can simply buy from their broker. Treasury Notes on the secondary market may be selling at a premium or a discount to their par value. T-notes rise or fall in value opposite to interest rates. The uncertainty of the US even temporarily defaulting on its debts has sent the stock market downward and could result in credit rating agencies, such as Standard and Poors, downgrading US debt. A lower debt rating typically drives up the cost of borrowing. That would mean that investors and traders would demand higher interest rates or would not buy T-Notes, thus driving the price up at weekly auctions. Anyone holding older Treasury Notes would continue to receive the same interest payment

every six months but the value of their T-note would fall. If interest rates are going to rise in the coming weeks and months traders will be wise to sell T-notes and bonds in advance and buy T-notes or buy bonds when rates have gone up. If the powers that be in Washington are able to deal effectively with the US long term debt we could see a progressive fall interest rates of Treasury Notes. In such a situation a trader using trading tools such as Candlestick charting to follow rates can purchase T-notes at the top of the interest rate curve and see the value of their T-notes progressively increase as rates fall. Investing in treasuries, like investing in bonds, requires that traders keep a close eye on the fundamentals that drive interest rates and use Candlestick chart formations to follow market sentiment. Smart investors **pick profitable investment vehicles**. Investing in high interest rate treasury notes and holding for the long term can be profitable.

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