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The Day Ahead: Bonds Are Back to Their Old Ways

After the best day in a month and a half on Wednesday, the bond market is back to its recent habit of selling off and moving toward higher yields. It looked the losses were set to be more modest at the beginning of the day, but things got worse after Fed's Williams delivered a bit of a hawkish shift. Williams was the one who pushed back against last week's CPI report, saying recent inflation setbacks were not a surprise. Today's comments were only subtly different but markets honed in on his call for rate hikes in the event data justified it. In truth, this is not a departure from the prevailing "data dependent" communication regime, but along with the data driven selling at 8:30am (Philly Fed reaction) it seems to have been worth something to traders so far this morning.



Fed Funds Futures suggested a greater focus on the Williams comments, which is what you'd expect given that Williams' comments were more focused on near term policy possibilities.



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