

UPDATE: Bonds Pop Into Positive Territory on Geopolitical Headlines

Bond yields dropped sharply, but not too significantly just before 1pm, apparently in reaction to the following newswires:

- LEBANESE MEDIA ARE REPORTING AN EXPLOSION IN THE DAHIEH SUBURB OF BEIRUT
- THE STRIKE ON BEIRUT'S SOUTHERN SUBURB TARGETS A SENIOR HEZBOLLAH COMMANDER, FATE UNKNOWN - SECURITY SOURCE
- IDF CONFIRMS IT CARRIED OUT A STRIKE IN BEIRUT IN RETALIATION FOR THE ATTACK ON GOLAN HEIGHTS

Wars, by all their names, and the escalation thereof are often responsible for volatility in the bond market. Potentially escalatory headlines tend to push yields lower, and this example appear to be that simple.

10yr yields were briefly down to 4.129 but are back up to 4.148 currently (still 3bps lower on the day).

MBS are up an eighth of a point, but were briefly up 6 ticks (.19).

It would not be a surprise to see these gains gradually fade if there is no additional escalation.



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