

The Day Ahead: Off to a Better Start vs Monday (Not That The Bar Was High...)

Monday was frustrating for the bond market. It was a medium large sell-off that would have made more sense as a flat, forgettable Monday. The only thing remotely resembling a consensus on the rationale is the notion that election odds tilted toward Trump over the weekend and the market currently associates a Trump victory (specifically, a red sweep) with higher growth, inflation, Treasury issuance, and volatility. Tuesday is off to a much calmer start with bonds actually in slightly positive territory. Once again, the calendar is empty in terms of market-moving econ data.

In the bigger picture, yesterday doesn't necessarily look too far out of place. It's only offensive in light of the absence of apparent motivation. The chart below is a rarity on MBS Live as it includes moving averages (and we have some thoughts). Each one has been completely disregarded on the way up. Notable, there is not currently a way to calculate any moving average that is higher than yields over the past 2 days. A 222-day average is closest and it's about 10bps lower. What now, moving average fans?



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