

The Day Ahead: Bonds Retreat to Recent Range Ahead of Auctions, Powell, CPI

With Tokyo closed for a holiday, overnight Treasury trading was limited to futures markets until 2am ET. Yields opened about 1bp higher in Europe and then drifted gradually higher into the US session. Bearish impulses came primarily from European bond market weakness amid a glut of EU sovereign debt auctions. At home, the path of least resistance has been to follow the selling trend ahead of 3 days of US Treasury auction supply, Powell's congressional testimony (today and tomorrow), and tomorrow's fairly critical CPI data. Losses are moderate with 10yr yields up only 3.6bps, right back to the "just over 4.50%" levels seen from Jan 27 through last Tuesday.



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