

The Day Ahead: Bonds Rallying Sharply. But Why?

They day begins with 10yr yields down more than 10bps and trading under 4.30% at times. MBS are up 3/8ths with 5.5 UMBS coupons getting close to par. All of this transpired without any big-ticket data or scheduled events. In other words, despite a few mini-gluts of bond buying, the move has been relatively linear today. One of the gluts coincided with the EU open, which is not uncommon in overnight trading. Same story with the 8:20am CME open and the 9:30am NYSE open.



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Some might also say that lower energy prices bode well for inflation. Others might say that the correction seen in crude oil is just another way the market is expressing concern over the pace of global growth.



There isn't too much to glean from the timing apart from a simple reinforcement of the broad-based buying sentiment. So what's driving the sentiment? The best guesses among traders and analysts involve a few usual suspects including but not limited to the potential economic impact of new fiscal austerity at home, the global economic impact from tariff/trade policy, the labor force implications (both due to tariff/trade policies, government lay-offs, and immigration policy), and lastly, corporate updates on hiring/firing/earnings.

