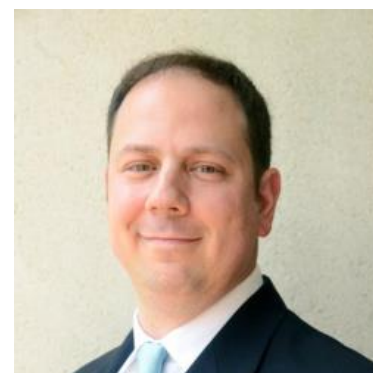


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The Day Ahead: What's Up With Today's Big Bond Rally?!

Two factors had been contributing more than others to drive bond yields higher as of yesterday. The broader, ongoing factor is/was the tariff/trade stand-off with China. Whether approached through the lens of inflation or decreased foreign appetite for USD assets (a byproduct of decreased consumption of foreign imports), excessive tariffs have not been good for bonds. The more timely factor was Trump's tirade against the Fed Chair last Thursday and again on Monday. Global markets sold USD assets in response. Then in the blink of an eye last night, Trump said he's not really thinking of firing Powell AND that tariffs on China won't be as high as initially announced. USD assets rallied and they continue to rally this morning. The end.



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