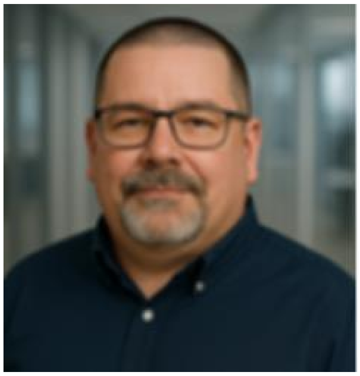
The Day Ahead: Where is The Next Move Coming From?

It's a potentially frustrating time for bond watchers. The rules have already changed in a big way to accommodate the new wild card presented by tariff policy, and it seems like there have been far more "fine tuning" tweaks to those rules than normal. Bonds will always move based on a combination of factors. Some are obvious and basic.

Others are exceptionally esoteric. Over the past few weeks, we've seen a return of a more basic pattern with a measurable de-escalation in the trade war helping stocks and hurting bonds (yes, there was a moment in April where escalation also hurt bonds, but that's one of those esoteric examples that no longer applies). For the moment, the stock lever (the ultra basic, conventional wisdom notion of buying/selling bonds and doing the opposite with stocks) has been reasonably consistent.

It is not incorrect to view this as a loose barometer of market optimism/fear regarding trade policy. Data can and will still matter, but as seen with yesterday's CPI, some of the data will be taken with a grain of salt until we have a better sense of finalized trade policy and the global market's reaction. Also, one should not assume that the correlation in the chart is some sort of reliable rule--especially over short time horizons.

As for today, it is largely a placeholder in terms of data. Tomorrow is the active day of the week.



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