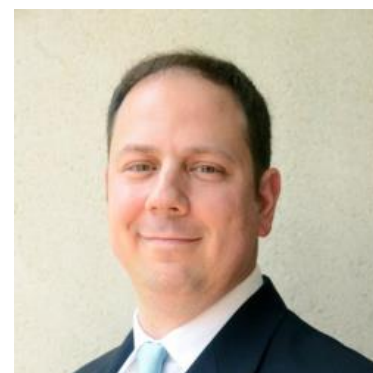


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The Day Ahead: Opening Weaker Despite Israel/Iran Headlines

By 8pm last night, news of Israel's attack on Iran erased an entire week of stock market gains and pushed bond yields to the lowest levels in more than a month. Given the alarming nature of some of the headlines, it's only natural to assume that markets were only getting started with the "risk-off" trading pattern. Natural, yes... but not necessarily logical. In fact, similar paradoxes are so prevalent that we have dedicated reminder to the topic: [overnight trading makes no guarantees](#). Ultimately, with 10yr yields over 4.5% on Wednesday morning and under 4.40% right now, none of the volatility of the past 12 hours is worth over-analyzing. Yields have challenged last week's floor and look to be tabling the idea of a breakout until further review.



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What about oil prices? Could this be the reason for the paradox? To be sure, there is strong correlation between oil and bond yields at times, but there is strong correlation between bond yields and many metrics that speak to economic strength and/or inflation. It could certainly be an ancillary consideration, but it's not the driving force.

