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The Day Ahead: Bonds Don't Always React to "War" Like You'd Expect

A vast majority of long-time bond watchers share the same general understanding of how war impacts rates. Specifically, the increased global economic uncertainty drives safe-haven demand for US Treasuries, thus helping rates. While this CAN be true, it's not a hard and fast rule. Consider the Russia/Ukraine example in which an initial drop in rates gave way to a paradoxical spike due to inflation implications. Keen observers anticipated a similar risk over the weekend with respect to oil prices. Alas! Not only have oil prices barely budged over the weekend, but bonds didn't respond as expected when they initially spiked 2 weeks ago.



Over the weekend, there was initially no reaction whatsoever. As the day gets underway, bonds are stronger--partially due to reports that there was no radioactive contamination after the attack and partially due to unrelated dovish comments from Fed's Bowman.



Caroline Roy

Branch Manager, Loan Officer, GoPrime Mortgage

P: (406) 624-6330

M: (406) 581-4939

2015 Charlotte St.
Bozeman MT 59718
271203 MT, ID, CO, CA, ME, AK,
WA, WY



