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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.



Scott Green

Home Loan Consultant,
Monument Mortgage
Group

P: (602) 971-0544 x1

M: (602) 577-8311

scott@scotthelps.com

21501 N. 78th Ave #100
Phoenix AZ 85382

Company NMLS #2512600
Individual NMLS #155901



David Rickey

Home Loan Consultant,
Monument Mortgage
Group

www.azmonument.com

P: (602) 971-0544 x2

david@azmonument.com

21501 N. 78th Ave
Peoria AZ 85382

Company NMLS # 2512600
Individual NMLS #1493357

