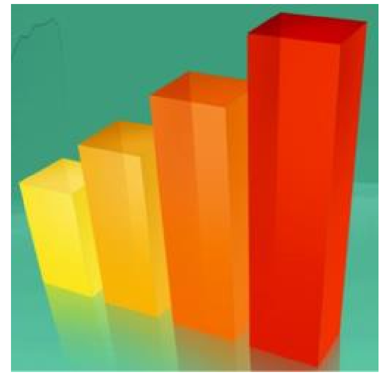
The Day Ahead: Bonds Don't Always React to "War" Like You'd Expect

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.



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no real reaction
in bonds overnight
damage
reports
Stocks
4.420%
4.400%
4.380%
4.360%
4.340%
4.320%
10yr
stocks initially
dropped overnight
Bowman
comments
25K
12:00
22
23
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Fed Funds Rate Expectations
For December Fed Meeting
3.960
3.940
3.920
3.900
3.880
3.860
3.840
3.820
3.800
Bowman
Comments
10
12
15
17
19
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