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The Day Ahead: Stronger Start After 7am Magical Mystery Move

Bonds were sideways to slightly weaker in the overnight session. 4am to 7am was exceptionally flat and narrow. This is notable because stocks had done more than half of their overnight selling by 7am, and stocks are one of the only scapegoats. In other words, a "flight to safety" (sell stocks/buy bonds) seems to be the only popular explanation, and it's entirely unsatisfying when looking at stocks and bonds on a chart. Our official take is: there's a secret club and we're not in it. There are some straws we could grasp at, but feel less compelled to do so when the magical mystery move is an instant 5bp rally.

For straw graspers, we can overlay UK bonds (which had some drama this morning) on the same chart and suggest that UK selling was preventing Treasuries from following the stock losses. And once UK bonds reversed course, TSYs were free to rally.

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