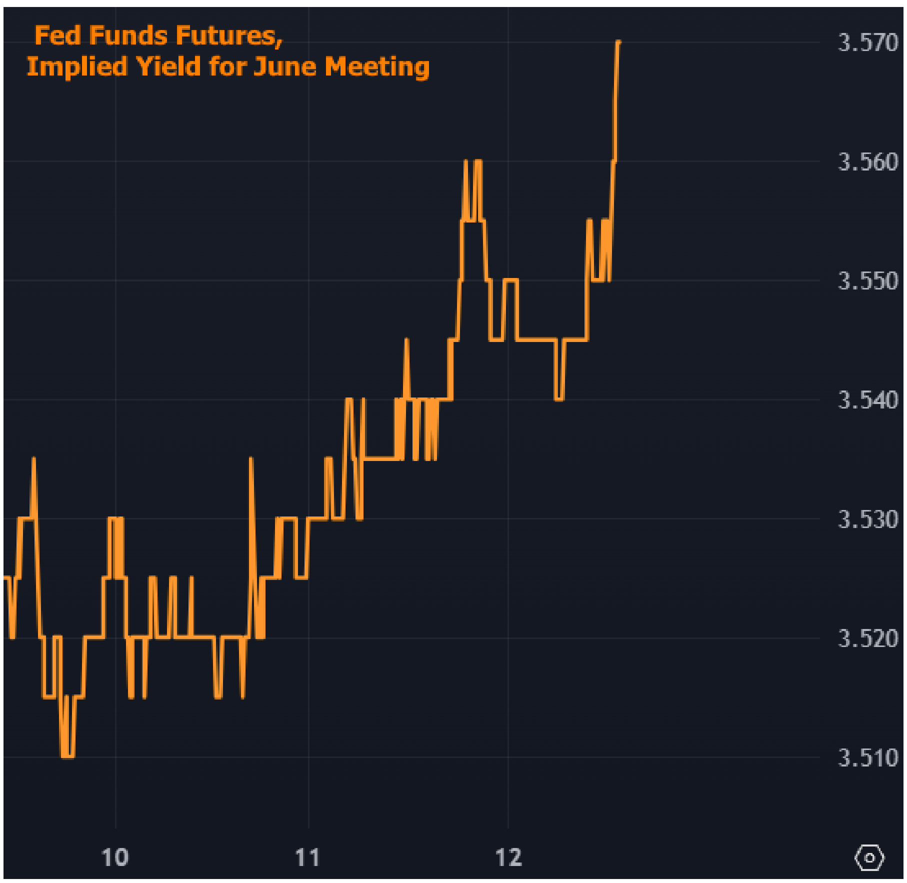
The Day Ahead: Bonds Remain On The Run

The bond market doesn't look like it can catch a break as long as war persists in Iran. If it's not oil, it's fertilizer, nat gas, military spending, or a host of other inflationary knock-on effects that bode ill for the fixed income sector. Yes, the implied economic fallout would help offset the inflationary impulses, but not enough for rates to make downward progress just yet. Bonds will need to get past the point of pricing in another big inflation reckoning for that to happen. Until then, downward progress will be tough to sustain. This morning's headlines (which involve more reports of mines in shipping channels and a Trump comment that said military objectives were more important than oil prices) have pushed the June Fed rate cut outlook to its worst levels in a year. 10yr yields are easily back up and over the 4.20% technical level.



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CONSUMERS FINANCIAL MORTGAGE


Fed Funds Futures, implied rate for June 2026
4.100
4.000
3.900
3.800
3.700
3.600
3.500
3.400
3.300
3.200
3.100
3.000
2.900
2025
Jul
2026


10 Year Treasury
4.600
4.500
4.400
4.300
4.200
4.100
4.000
3.900
4.20
4.0
Jun 25
Sep 25
Nov 25
2026
Mar 26