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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.

Ian Overcarsh

Mortgage Banker, First National Bank

www.fnb-online.com/.../overcarshi

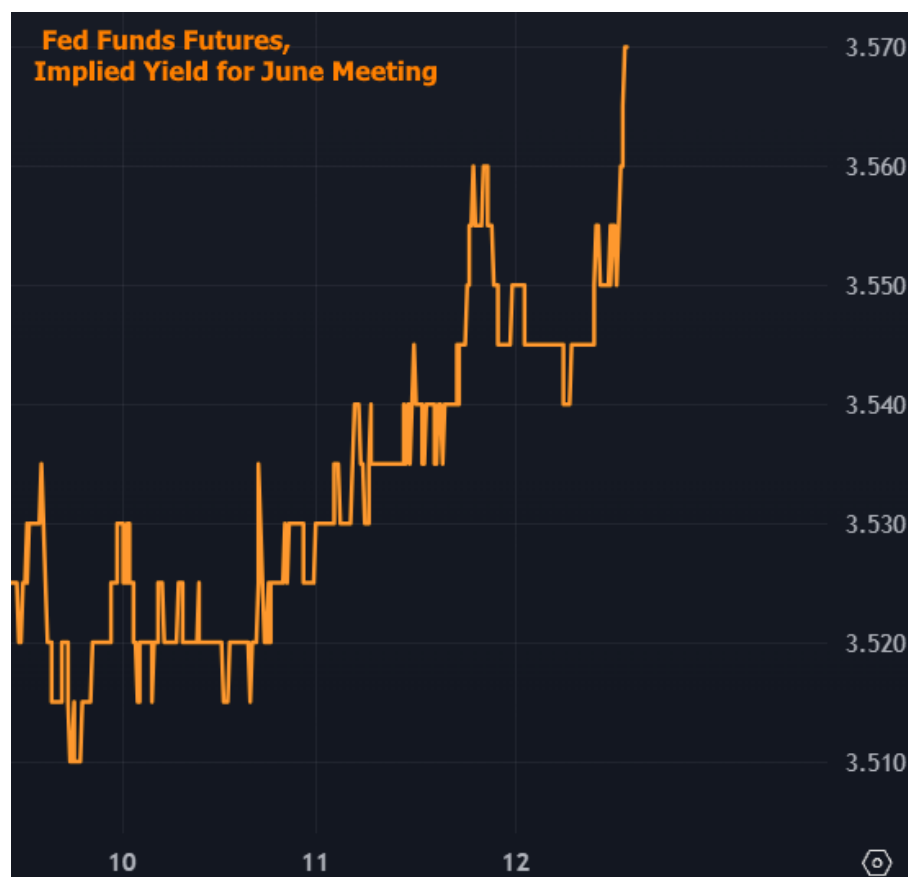
M: (704) 650-1922

overcarshi@fnb-corp.com

401 S. Graham Street

Charlotte NC 28202

1065792



Fed Funds Futures, implied rate for June 2026



10 Year Treasury

