The Day Ahead: Bonds Ignore Oil in Favor of Repricing The Rate Outlook

At almost any moment in March 2026, a glance at the "10yr vs oil price" chart has revealed sufficient correlation to blame the bond rout on the energy price spiral. But the correlation is spotty at times and today is one of the starkest examples. Oil is essentially flat while bonds surged to higher yields overnight. We don't normally focus much on 2yr Treasuries, but the selling there is much worse than in the 10yr, reflecting a rapidly changing outlook for the Fed Funds Rate. Indeed the odds of a rate HIKE (not cut) in April rose from just over 4% to just over 10% this morning. The big shifts in the 2s vs 10s yield curve speak to the same phenomenon. Oil prices and econ data are easily being drowned out by this large scale repositioning for "higher for longer" short-term rates.

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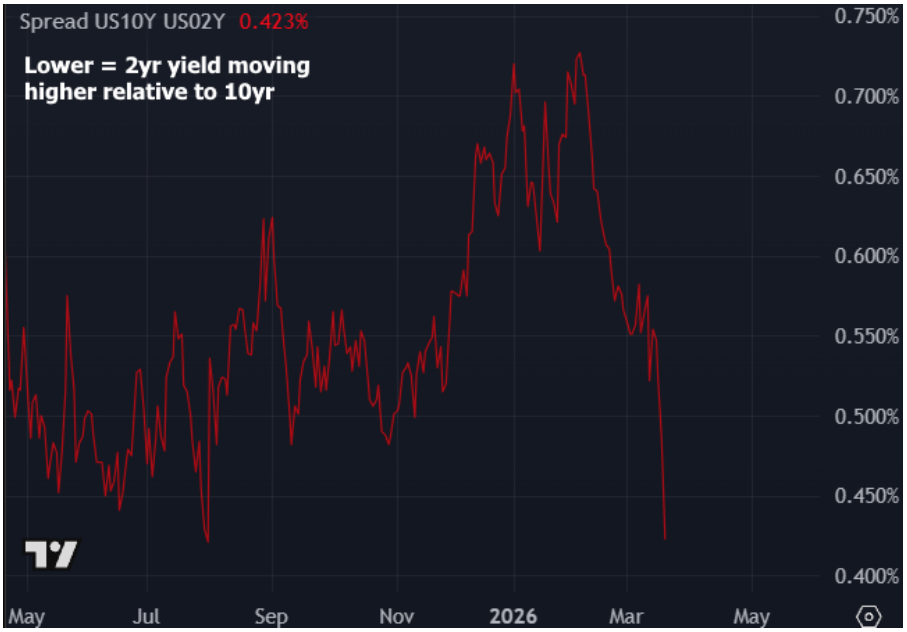

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