The Day Ahead: Bonds Fade De-Escalation Hopes

Markets were presented with an opportunity just before the close yesterday to put their faith in another ceasefire-style announcement, but have instead opted to stick with prevailing momentum (lower stocks, higher yields and oil prices). Part of the reason is that rather than a true ceasefire, the announcement merely delayed a major escalation from this weekend by 10 days. In addition other escalations continue to add up based on overnight reports. Bonds (and stocks and oil) are now in a pattern of fading (a trading term akin to "calling the bluff of") ostensibly hopeful de-escalation developments until they see something real and lasting.

Seth Wilcock
MLO, CMA, VMA, CMPS, CVLS, Resolute Lending Powered by IMB
www.resolutelending.com
P: (720) 593-6682
M: (720) 590-2492
team@resolutelending.com
170 N Jefferson St
Nashville IN 47448
NMLS 389617 | IMB NMLS 2191655
Verify a License

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