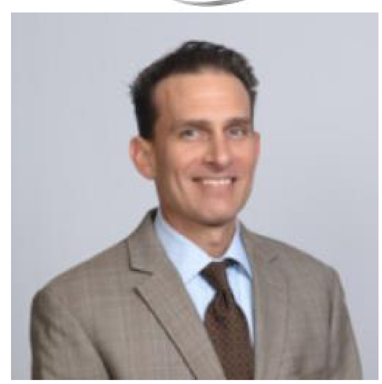
The Day Ahead: Bonds Mostly Finding Their Own Buyers

There are three distinct reasons that could account for bonds paradoxically rallying overnight despite oil prices remaining high and an absence of meaningful de-escalation in the Iran war.

The most notable development has been the correction in Fed Funds Futures that began on Friday morning and extended modestly into this morning.

Andrew Sesta

Realtor, The Keyes Company
www.eastcoastfloridarealestate.com
P: (772) 285-8702
M: (772) 285-8702
andrew@sestasalesteam.com



Craig Garcia

President, Capital Partners Mortgage Services, LLC
P: (954) 271-2024
M: (561) 252-2532
1515 N University Dr #102D
Coral Springs FL 33071
#653593

Less objectively quantifiable but still likely enough for us to call it out last week was pre-weekend positioning. Specifically, it has made good sense for bonds to be defensive heading into a weekend and recover on Monday if there was no major escalation. Last but not least, it's March 30th, so we'd always need to consider month-end positioning could be creating some of its own momentum for bonds. The net effect is a 3/8ths gain in MBS and a 7bp drop in 10yr yields (currently just under 4.37). Much like last week, this is a nice little recovery on a Monday, but by no means evidence of a broader reversal.