

MBS & TREASURY MARKETS

Daily Coverage. Industry Leading Perspective.

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.



Matt Jolivette

Owner/Broker, Associated
Mortgage Brokers

www.nwmortgagebroker.com

P: (503) 221-0064

M: (503) 545-8843

13535 SW 72nd Avenue
Portland OR 97223

90661

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



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.

