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The Day Ahead: Bonds Starting Weaker Despite Lower Oil and EU Bond Recovery

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European bond yields surged higher on Friday in response to political uncertainty in the U.K., among other things (ongoing global reaction to Fed day and U.S./Iran peace deal status, etc). Treasury yields were set to open higher in the overnight session as a result. All of the above is logical and fairly boring. What's interesting is that Treasuries haven't taken the opportunity to recover. European yields certainly have and oil prices have steadily dropped back toward Thursday's lows. Additionally, the fact that 10yr and 2yr yields are up by the same amount suggests there's not an active Fed trade going on. That doesn't leave many compelling scapegoats. The only two that jump to mind are asset allocation trading (selling bonds, buying stocks), and perhaps some concessionary selling ahead of the Treasury auction cycle. On a more speculative note, the market could also be bracing for various Fed speeches this week, but we'd expect to see 2yr TSYs doing worse than 10s in that case.