The Day Ahead: Japan Currency Intervention, Oil, and Data Causing Some Selling

Japan's Ministry of Finance (MOF) and central bank (BOJ) are a bit more closely linked than Treasury and the Fed. For example, the MOF can instruct the BOJ to sell a bunch of securities to pop up the value of domestic currency. They did this in relatively grand fashion yesterday, but the selling didn't appear to involve Treasuries (as it sometimes does). Now in today's overnight session, there was another Yen-specific spike and this time, it lines up with the start of selling pressure in Treasuries. It's not extreme, and it correlated with Iran headlines causing oil prices to rise. If anything, the timing actually lines up better with oil. Last but not least, this morning's ECI data added a small but measurable amount of selling. 10yr yields are flirting with 4.7 and MBS are down just over an eighth--not massive weakness considering the inputs.

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Oil (left axis)
10yr yield
ECI data
Iran headlines
86.00
85.50
85.00
84.50
84.00
83.50
83.00
82.50
82.00
81.50
81.00
4.710%
4.700%
4.690%
4.680%
4.670%
4.660%
4.650%
4.640%
0
06:00
12:00
31
06:00