The Day Ahead: Minimal Overnight Volatility. Waiting on Data and War News

With the potential for a Hormuz deal floated earlier in the week, a more substantive announcement remains the biggest opportunity for the bond market until Friday's jobs report (and even then, could supersede the jobs report depending on the details). Conversely, another diplomatic breakdown or another re-escalation would be the biggest risk. There were no no hints of either eventuality overnight and the flat trading levels in bonds confirm that. In the meantime, we'll have some B-team data in the form of ISM Services this morning at 10am ET. This report isn't guaranteed to cause a reaction, but it certainly reserves that right if it falls appreciably far from forecasts. As always, the employment component of the ISM data carries some weight given that it adds another solid anecdote ahead of Friday's big jobs report. Oil prices drifted just a hair higher after initial overnight gains, and bonds have followed, but the movement is so small that it's just as fair to say everything is sideways so far.

In the bigger picture, yields have made a nice re-entry into the prevailing long-term trend channel, but it would be more reassuring to see some willingness to explore the lower boundary--something that hasn't been palatable since the re-escalation of the war that played out in July.

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10 Year Treasury
O4.616 H4.624 L4.606 C4.620
4.800
4.700
4.600
4.500
4.400
4.300
4.200
Apr 26
May 26
Jun 26
Aug 26