The Day Ahead: Month-End Trading Taking a Toll

Bonds were actually a hair stronger at the open, but quickly tanked just after 8am. The nature of said tankage is strongly suggestive of month-end positioning. While it's true oil prices are higher than Friday, the spike in bond yields didn't correlate in a manner typically consistent with oil being the driver. Also, there is a relatively sharp move underway in the yield curve (i.e. 2yr yields remain unchanged while 10yr yields are 5+ bps higher). Heavy curve trading in the absence of obvious catalysts and related market correlation all but confirm "month-end trading" (unless there's a huge corporate bond announcement that we missed).

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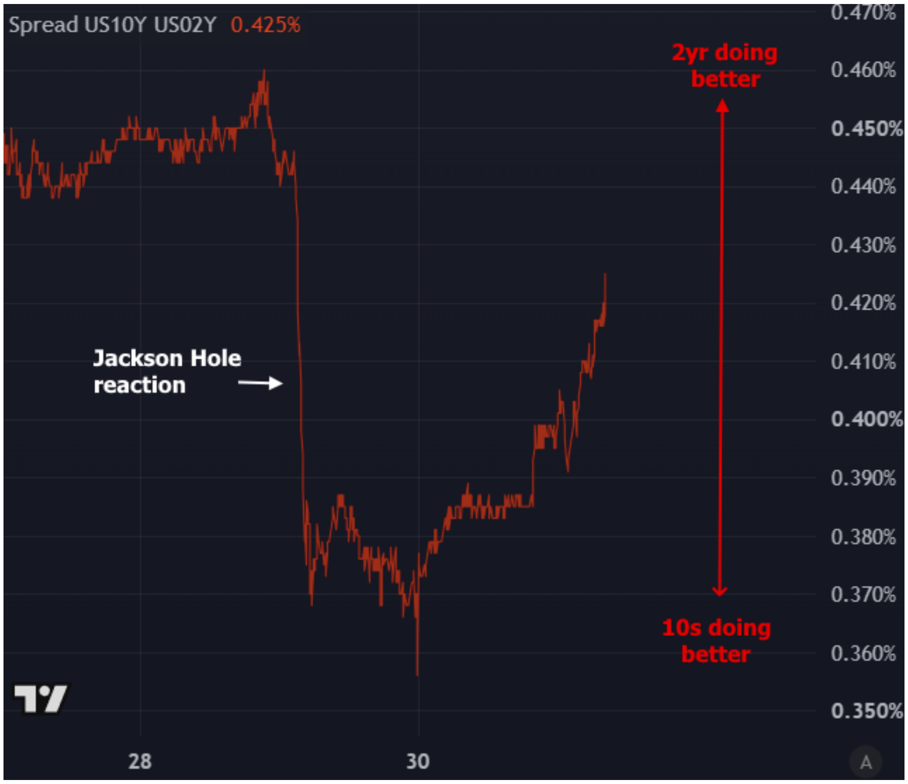
Spread US10Y US02Y 0.425%
2yr doing better
Jackson Hole reaction
10s doing better
0.470%
0.460%
0.450%
0.440%
0.430%
0.420%
0.410%
0.400%
0.390%
0.380%
0.370%
0.360%
0.350%
28
30