The Day Ahead: More Signs of Resilience But Still Tuned-In to Oil

To be sure, bonds are still very tuned-in to oil price movement with a high level of moment-to-moment correlation. That dynamic has seen yields trade both higher and lower so far today with most of the "lower" happening between 8:20 and 9:10am. Since then, both yields and oil are back on the rise. But the more interesting development is the slightly broader correlation which has seen bond yields holding under a 4.82% ceiling (10yr) even as oil prices made 3 new highs on 9/1, 9/3, and again this morning. There's likely a limit to this resilience in the event oil continues spiking, but it's mildly encouraging to see it on a week with heavy corporate issuance expected as well as a Treasury auction cycle.

Counterpoint: the bond market should still not be mistaken for something bullish, even if there's some relative outperformance vs oil prices.

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10 Year Treasury
O4.795 H4.797 L4.760 C4.774
4.850
4.800
4.750
4.700
4.650
4.600
4.550
4.500
4.450
4.400
4.350
Jun 26
Aug 26
Aug 26