# The Day Ahead: Slightly Stronger Start Despite Higher Oil Prices

Let's not get too excited. After all, today's yields are the second highest in 19 years, but still... this morning's price action is better than a sharp stick in the eye. Bonds held almost perfectly flat in the overnight session and Fed rate expectations tempered yesterday's exuberance a bit (hence, 2yr yields are down 3-4bps more than 10yr yields). The refreshing part is that we're seeing modest gains despite oil prices being a few bucks higher. In other words, oil gave bonds an excuse to keep losing ground this morning, but instead, we're modestly stronger. None of today's data has the same "shoot the moon" potential as did yesterday's PMIs, and the market would hesitate to draw overly dire conclusions even if today's 7yr Treasury auction is bumpy. For the most part, we're waiting for next week's econ data.

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