

ALERT: Sharply Weaker Overnight Amid Orderly Sell-Off

10yr yields were up more than 8bps overnight in a move that has analysts scrambling to pin blame on various potential market movers. To this end, the following factoids have popped up:

- The expiration of the ECB's pandemic-related bond buying program (while known ahead of time, the realities of supply/demand imbalance may have been hard to pin down until traders saw where the chips fell).
- Specific weakness in Italian bonds for reasons that don't jump off the page but some have gone so far as to suggest some potential ripple effect of the US decision to block payments on USD-denominated debt payments from US banks. No one seems to understand the ripple effects here, but everyone seems to be entertaining it as a potential contributor.
- The Bank of Japan continues focusing heavily on buying its own debt and securities rather than dive back into US Treasuries
- Australia's central bank (RBA) changed verbiage so as to indicate impending policy tightening
- New sanctions on Russia may be adding to inflation concerns, but notably, this isn't showing up in TIPS trading this morning
- There is a smattering of new [corporate bond](#) announcements adding to supply pressure
- Eurozone inflation concerns are ramping up in general amid the belief that the ECB is remaining too dovish

To be sure, this is a wholly unsatisfying ensemble cast of questionable market movers. Nonetheless, markets moved. Importantly, that movement occurred in a very linear fashion for bonds which further supports the notion that markets weren't reacting to one big piece of news or one big development.

Thankfully, in the time it's taken to research, review, and type up those bullet points, yields are a bit lower--now only 6.8bps higher on the day at 2.462.

UMBS 3.5 coupons are down 13 ticks (roughly 3/8ths of a point after factoring out a modicum of illiquidity).



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