2 GRAY BEARDS | Week 178 Summary | *May 30, 2026*

BONDS — NO MAN'S LAND

- 30-yr real yield ~2.17%; stuck in range, can't break higher. Carry cost (~120bps/day) keeps crushing shorts.
- Two blockers: Warsh policy unknown; oil price unresolved. Both force a wait-and-see posture.
- Bonds perfectly correlated with oil — no oil clarity = no bond clarity.

EQUITIES — FLOATING ON BOND AMBIGUITY

- Global bubble behavior: developed market ex-EM equities +15% YTD, beating S&P by 4% in USD.
- Conditions that would justify this (easy policy, higher growth, falling risk) are largely absent.
- Framework: fight it (wrong), chase it (requires nimble trading), sit on sidelines (where serious money is).
- **Positioning:** Every fund Nick tracks is underweight vs. benchmark. Andy's clients long-small — trading, not committing.

OIL & THE WAR

- Neither side wants hostilities or a real deal. Daily "deal" headlines, daily non-events. Both sides benefit from ambiguity.
- True resolution (Iran partnership → oil glut) would drive bonds dramatically higher — market not pricing this.
- **Base case:** Drip/trickle of supply, persistent uncertainty. Oil and bonds sideways for an extended period.

WARSH — JUNE 17TH IS THE EVENT

- Odds of actually hawkish guidance (rate hike forecast): zero per Andy.
- **Most likely:** Reiterates admin lines — war ends, oil transitory, AI disinflationary. No rush to cut, no need to hike.
- Nick's implication: curve steepener — 2yr to 3.85–3.90%, long end sticky. Equities shrug.
- Key risk: misstep under press questioning → extreme bond market reaction.

SCENARIO MATRIX

Catalyst	Scenario	Bonds	Equities
Warsh dovish (oil transitory, AI disinflationary)	Base case	2yr falls; long end sticky	Neutral / meh
Oil drops to $50–60 on war resolution	Bull case	Strong rally	Strong rally
Oil stays $70–90 / war drags on	Muddle	Range-bound	Hard to short
Hot NFP or Warsh misstep	Bear risk	Sell-off	Negative

BOTTOM LINE Wait for Warsh on June 17th. Until then: bonds range-bound, oil range-bound, equities floating. Don't fight the bubble, don't chase it. Stick with what you have. Without a bond sell-off, regime is buyable dips.