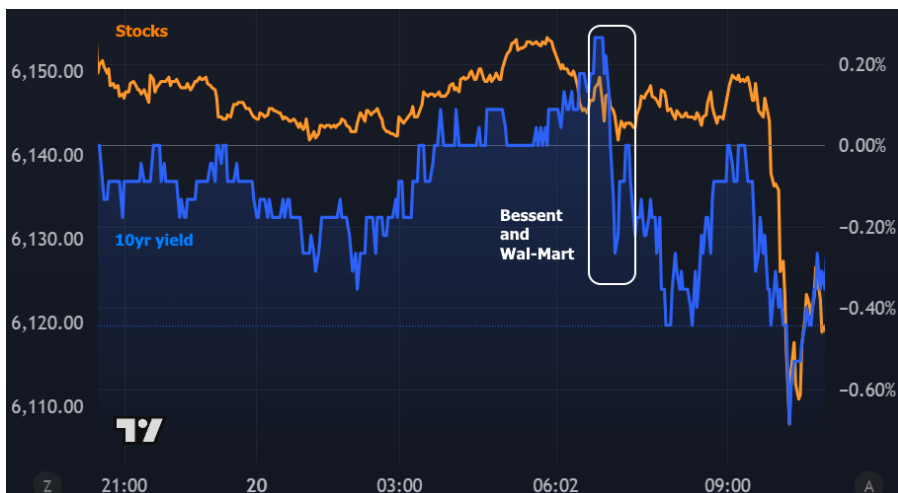


MBS & TREASURY MARKETS

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The Day Ahead: Stronger Start. Thank Walmart or Bessent?

There's an interesting little case study in this morning's market movement. Bonds had been sideway to very slightly weaker overnight, but began to rally at 7am ET. The most notable market headline available at the time was news of Walmart's disappointing earnings. Some market journalists credited the earnings as a catalyst for safe haven bond buying. At almost exactly the same time, Treasury's Bessent said in a Bloomberg interview that Treasury is a long way from adding duration to the Treasury issuance profile--something some market participants had feared. "Adding duration" means issuing larger amounts of longer-term debt (like 5, 7, 10, and 30yr Treasuries). That would push longer-term rates higher, all other things being equal. A closer look at charts shows minimal reaction in stocks relative to bonds, thus making it a given that Bessent trumped Wal-Mart.



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