

The Day Ahead: Stronger Data and Tariff Delay Causing Weakness

There are a few moving pieces to the bond market narrative on Thursday. The general backdrop consists of yield curve steepening (fancy words that mean 10yr yields are moving higher relative to 2yr yields, or that 2s are falling more than 10s). Steepening has been the norm since mid-2023, but February marked a correction to that trend. March is getting it back on track, perhaps.

MBS are somewhat indifferent as they're in sort of a middle ground between the long and short end of the duration spectrum. This made for a stronger start in MBS despite higher 10yr yields. After that, we've had two instance of selling pressure: one from jobless claims data and the other from a delay in tariff implementation. Prior to that, the often overlooked Challenger Job Cut Report fueled some bond buying as it jumped to the highest levels in more than a decade, not including covid lockdowns.



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