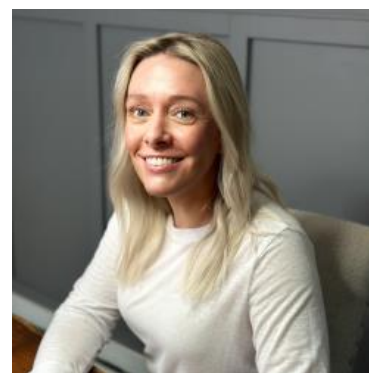


MBS & TREASURY MARKETS

Daily Coverage. Industry Leading Perspective.

The Day Ahead: Bonds Pummeled Overnight. It Won't Make Sense Unless You Watch The Video

MBS are down the better part of a point and 10yr yields are up 14+ bps at 4.44%. Another huge loss that leaves market watchers grasping for answers.



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Most of you are aware that MBS Live publishes a daily recap video. MBS Live is aware that many of you prefer not to sit through more than 60 seconds of video content at a time. While the text of the recap typically tells you enough to get by, there are times when things won't make any sense without the fireside chat. In this case, they still might not make sense, but it's your best shot. [Here's the link: https://app.mbslive.net/video/view/1073723421](https://app.mbslive.net/video/view/1073723421).

For those who really can't be bothered (and as a guy who watches most videos on 2x speed, I feel you), here are some bullet points:

- Tariff revenue will actually be lower than it was before due to a rapid slowdown in trade and what increasingly looks like a surefire path to recession
- Lower revenue and recessions both imply higher Treasury issuance and thus, higher yields
- A rapid slowdown in trade lowers the demand for US Treasuries among foreign central banks
- Tariff brinksmanship raises the risk of higher inflation readings in the short term
- Stocks and bonds are no longer locked in such a tight correlation pattern
- The short end of the yield curve is benefiting to some extent from Fed rate cut expectations, thus putting even more bond selling pressure on the long end of the curve