

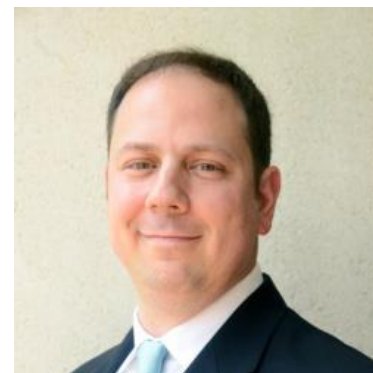
The Day Ahead: Big (Bad) Things Are Happening in Bonds

There have been some bad weeks for bonds here and there over the careers of most anyone who's alive to read these words, but unless your career began before 1981 (and unless something changes drastically in the next 3 hours), you just lived through the worst week you've ever seen in terms of the jump in 10yr yields. Such things don't happen without reasons. Econ data is obviously out the window as this morning's sharply lower producer inflation did nothing to help. The laundry list of other reasons is largely unchanged as this move is a glacial sort of thing that is simply in motion until and unless something stops it. Laundry lists have been discussed in the past 2 MBS Live Recaps/Videos, and no doubt will be today as well.

Here's a brief overview/preview/review:

WHY SELLING?!

1. Carry trade deleveraging
2. raising cash for other trades, tax payments, capital calls, uncertainty
3. Tariff implications for foreign Treasury demand
4. NOT as much about inflation, but more and more talk about tariffs causing future problems
5. Fed rate expectations keeping 2yr locked down, so all bond market losses must happen in long end, effectively doubling the drama
6. Dollar devaluation forcing TSY liquidations
7. Budget resolution left out 1.5T in spending cuts (TSY issuance implications)
8. Lack of confidence that tariff revenue will do the heavy lifting originally advertised (TSY issuance implications).



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