

MBS & TREASURY MARKETS

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The Day Ahead: The Big Calm-Down Continues. Powell on Deck

Alan Holom

SVP, Stockman Bank

www.stockmanbank.com

P: (406) 234-8438

2700 King Ave

Billings MT 59102

What a difference a week makes. The present example has been entirely different than the previous example in terms of volatility and directional movement. To reiterate our overarching thesis, April 2nd's staggering policy changes caused markets to go into a self-destruct sequence, thus leading to a policy pivot and a de-escalation of market turmoil. We're now playing a slower game made possible by some measure of faith that the administration will respond to warnings in markets if those warnings become grave enough. Last week, we had rampant uncertainty and panic. Now we just have rampant uncertainty. Data remains less interesting than normal in the short term, but the Fed policy response is always notable. We'll get an update from Powell this afternoon at 1:30pm ET which could help refine our understanding of how the Fed will balance tariff-driven inflation expectations versus the notion of cutting rates to offset tariff-driven economic softening.

