

MBS & TREASURY MARKETS

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The Day Ahead: Bigger Picture Starting to Look More Normal

What's "normal" for the bond market? That depends how far back you want to look. Starting in late February, we had about a month of mostly sideways movement in a relatively narrow range as we waited for clarity on new fiscal policies and economic data. The tariff roll-out shook things up, to be sure, but for more than a week now, yields have been back in the same old "normal" pattern. So what's next? That's a good question. It could be a big policy shift, or economic data, or a global market event. No one knows, but we'll know it when we see it.



As a counterpoint to the chart above, consider that shorter term bonds have been trending in the opposite direction and at a faster pace.



Jason Delaney

Mortgage Lender, Haven
West Mortgage

www.havenwest.net

P: (800) 992-1900

M: (909) 921-3623

jdelaney@havenloan.net

26632 Towne Centre Dr.
Foothill Ranch CA 92610
153213





How to reconcile the outperformance of 2yr yields vs 10yr yields:

(remember that 2s have a lot in common with intermediate Fed rate expectations)

