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The Day Ahead: Yields Jump After Another 90 Day Tariff Pause

10yr yields were up 8bps overnight to the highest levels since April 11th after weekend trade talks between the US and China resulted in significant reductions in tariffs for a period of 90 days (US imports down to 30% and exports down to 10%). This is better result than the market was expecting and it paves the way for endgame to be nearly unrecognizable relative to recent brinksmanship.

That said, markets are still left to wonder where everything will settle out after all the pauses and negotiations are over. Tariffs could still end up substantially higher than they were before (the 30% tariff during this 90 day pause is still huge compared to the historic average). That means the Fed and the market are still waiting to see how the trade offs between inflation and revenue balance out (as well as any fallout on economic growth and foreign central bank demand for Treasuries).

Tariff pause announcement highlighted in the chart below.



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