

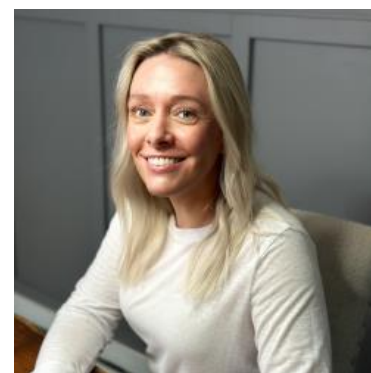
MBS & TREASURY MARKETS

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The Day Ahead: Nothing For Bonds to Trade But Fiscal Disillusionment

We're now into the 3rd day of a week that's conspicuously lacking in relevant econ data. In addition, the looming holiday weekend hinders participation and increases potential volatility. That means an extra level of impact for whatever bonds can find to move the needle. So far, all they've been finding is a feeling of disillusionment with the fiscal outlook as they watch congress debate spending more money on one thing vs spending more money on another thing. Insultingly, those things are in the spotlight more for political strategy reasons than for their central role in our current fiscal spiral. So not only are we not addressing the spiral with any of the available options, we're also highlighting the worst features of our legislative process.

While all of the above has bonds under pressure overnight, it's worth noting that yields continue to operate in the same short-term range since the beginning of last week. That range was entered due to the US/China tariff pause. Fiscal disillusionment is merely the factor pushing yields toward the top of that range.



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