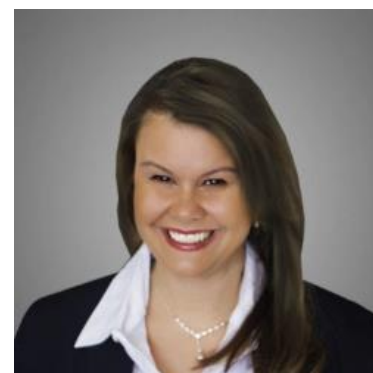


MBS & TREASURY MARKETS

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The Day Ahead: Bonds Cheer Powell Pivot

Today's Jackson Hole speech gave Fed Chair Powell an opportunity to adjust his stance in light of much weaker jobs report that came out 2 days after the last Fed meeting. Powell had quite a bit to say, but the only thing the market really needed hear in order to facilitate a reaction was that the balance of risks may warrant adjusting policy. A close second was that tariff-driven inflation was unlikely to be a lasting dynamic given the downside risks to the labor market. Bonds rallied instantly on the release of the speech with short-term yields logically leading the way (due to their closer connection to Fed rate expectations). September rate cut odds moved back to the 90%+ levels seen earlier this week. 10yr yields are back in the middle of their August range and MBS are back near 2025's highs.



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