

MBS & TREASURY MARKETS

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The Day Ahead: Everything Winning on Combo of Trade Tensions, Fed Speak, and Earnings

Stocks have made a bit of a round trip since last Friday when Trump's tariff comments sparked a big sell-off. Bonds benefited from that at the time. So far this week, stocks have staged a solid comeback--especially today as upbeat earnings and Fed rate cut expectations provide support. Bonds continue to rally on multiple Fed comments that focus on a weaker labor market underpin an increasingly clear rate cut picture. Many market participants read yesterday's Powell comments as endorsing another cut in October. Bonds mostly had this priced in, but the absence of bad news is good news--at least good enough for more modest gains this morning. That said, gains are tougher to justify from here with yields pushing the lower end of the range boundary.

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