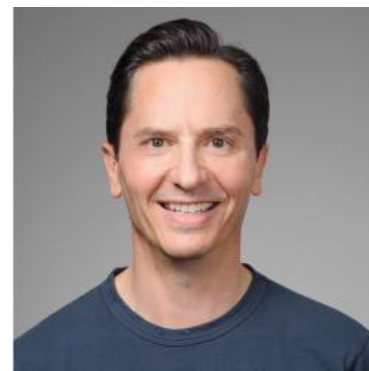


MBS & TREASURY MARKETS

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The Day Ahead: Why Are Bonds Surging This Morning?

Bonds were modestly and inconsequentially stronger in the overnight session. By 8am, this brought 10yr yields just under 4.30%. Less than an hour later, yields fell to 4.23 and MBS rose over 3/8ths of a point on a trio of headlines. The first was a detail from a proposed plan to end the war (involving unfreezing Iranian assets in exchange for Uranium). The second was a notification about negotiations in Islamabad this Sunday which trump might personally attend. The third was the biggest market mover and involved Iran's Foreign Minister announcing a reopening of Hormuz for the remainder of the ceasefire. It's unclear how that information interacts with the U.S. blockade, but the market doesn't seem to be asking that question.



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Despite the sharp gains, today's bond market movement still fits in the scope of the broader downtrend since late March.

