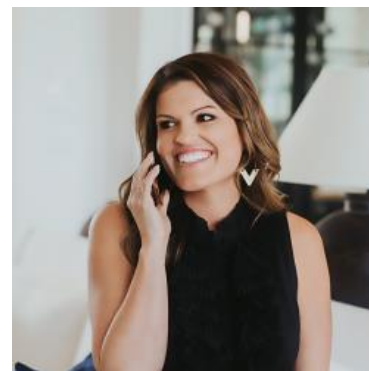


MBS & TREASURY MARKETS

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The Day Ahead: Highest Yields in a Year After Trump/Xi Summit

Far too many market participants were apparently hoping that some sort of positive news on the war would be somehow facilitated by the Trump/Xi summit over the past 2 days. But talks wrapped up in the overnight session with little to show for it. There was actually very little notable discussion about the war. Both parties want it to end, but China does not appear to be on the verge of taking action in that regard. Bonds began selling early in the overnight session and continued in the same direction into domestic hours. 10yr yields are the highest since May 2025 and MBS are down over half a point. Bonds also have considerations beyond simply following oil prices as the cost of the war continues to add up to more Treasury issuance and inflation expectations.



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