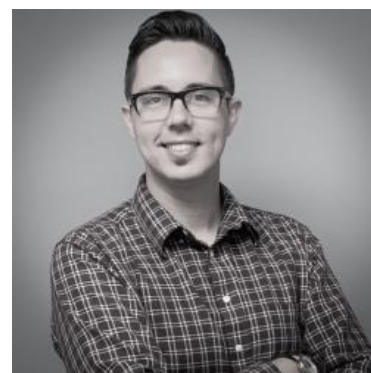


MBS & TREASURY MARKETS

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The Day Ahead: Bearish Breakout For All The Normal Reasons

Welcome to post-Iran-War 2026. The only real relief for bonds since then was seen in June when there was hope that the war was over or at least winding down. Gas prices are back to multi-year highs. Inflation fears are back at the forefront. Even the ECB is flagging rate hike risks that could play out by the end of the year. This morning is seeing more of the same in terms of another pop in oil prices push yields higher overnight followed by additional selling in early domestic trading. **Technicals** could be adding emphasis given the breakout of various support levels. The ECB announcement didn't help, but Treasuries are underperforming EU bonds, so it doesn't deserve credit for any additional selling momentum. At the risk of oversimplifying, nothing tells the story better than 2yr Treasuries right now. They convey a slow-motion train wreck playing out since March and while today may be just a bit more brisk than average, it's just another day in post-Iran-war 2026.



Mike Hardy

Broker | Owner, True North Lending

www.TrueNorthLender.com

M: (562) 370-0544

mike@truenorthlender.com

6621 E. Pacific Coast Highway
Suite 155

Long Beach CA 90803

NMLS #1175689

DRE #01326046

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