



## **DMFI**

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# Security

10 Year Treasury Note  
Future  
**TYH6**

# View

Bullish

# Investment

20 Futures Contracts

Thesis Points  
and Risks



Macro News



Fundamental  
Analysis



Technical  
Analysis



Position  
Overview

## Thesis

- Weak labor market eases inflation, supporting lower long-term yields
- Rising unemployment rates and slowing wage growth are easing inflation pressures
- More rate cuts are expected this year and next year
- Trump appointing a new member to become Fed chair

## Thesis Risks

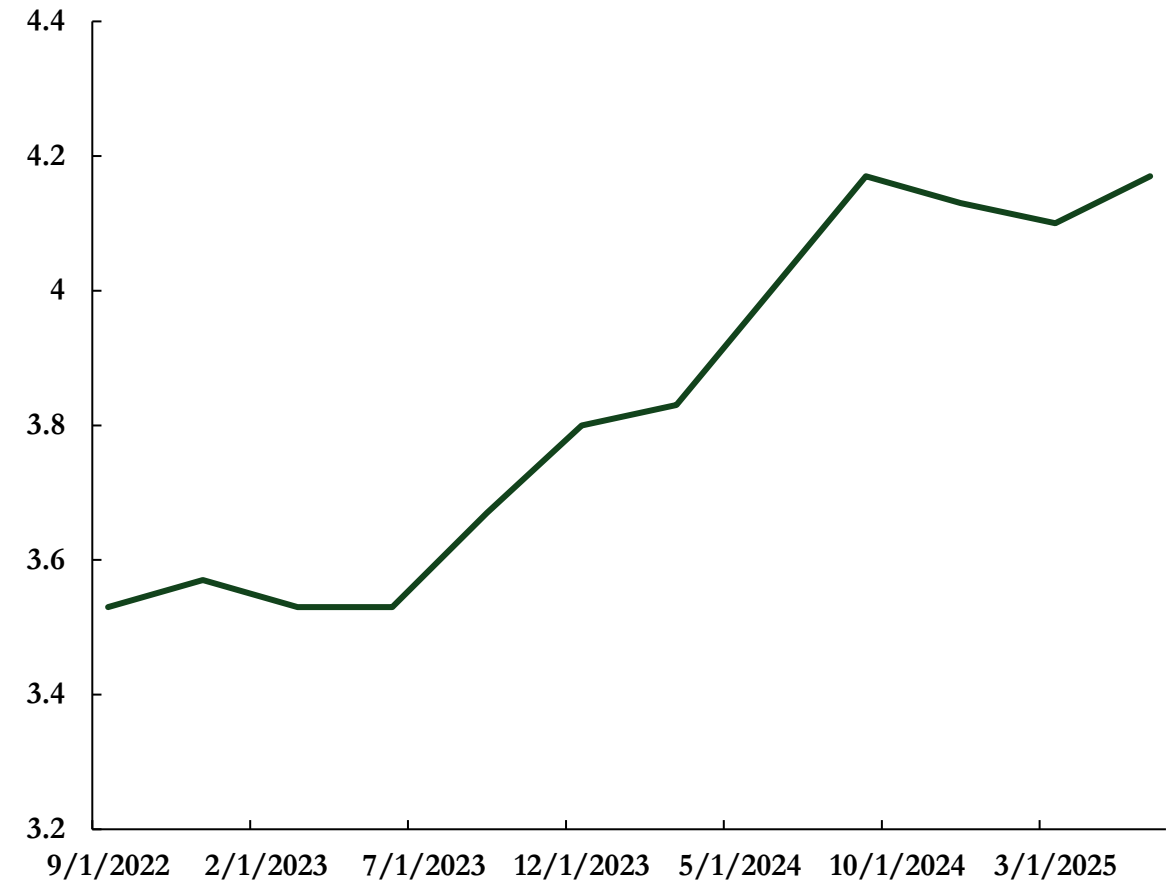
- Economy in uncharted territory increases uncertainty for yields
- Inflation may remain sticky, limiting long-term yield decline
- Ongoing deficits and debt issuance could push yields higher.
- Inflation could accelerate, pressuring long-duration Treasury futures

# Macro Environment

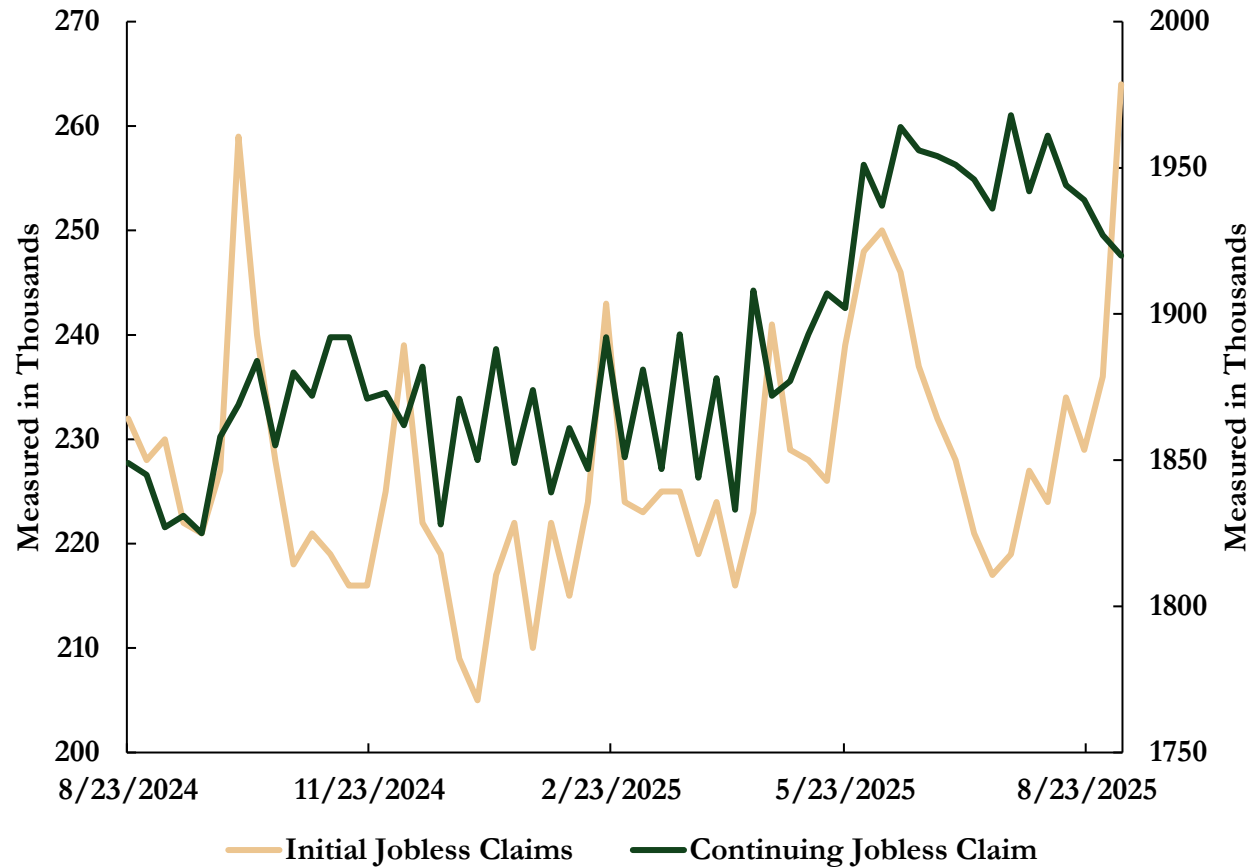
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# US Unemployment Rate

- The current US unemployment is 4.3% as of August 2025
  - This has been on a steady increase since 2022
- The Fed is now more concerned with the rising unemployment rate
- The unemployment data is not a forward looking indicator
  - Does not show the full story



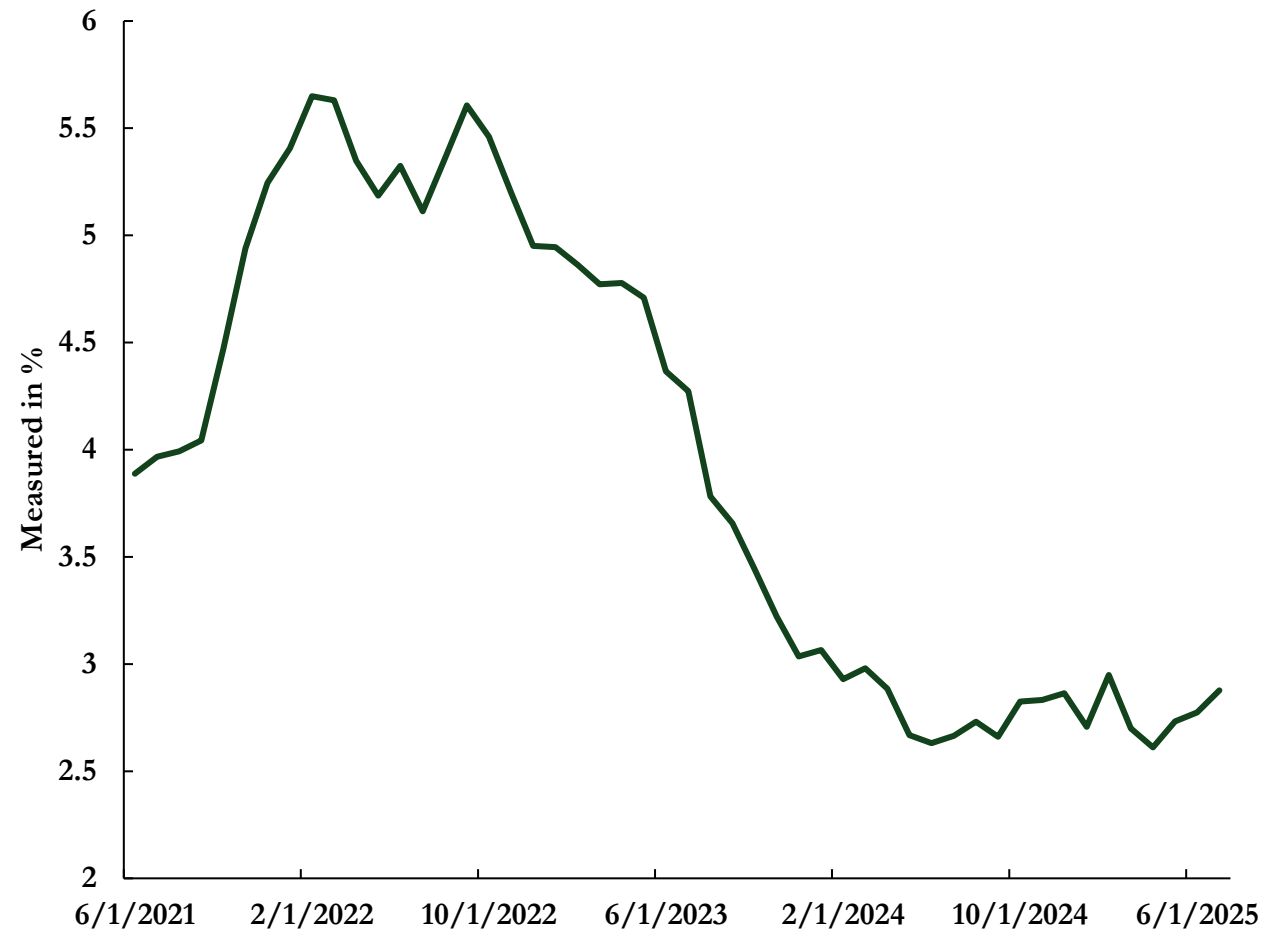
# Jobless Claims



- Initial claims have been greater than 200k since 2024
  - This shows the labor market is starting to crack
- Continuing claims is continuing to rise, showing people struggle to find jobs

# Core PCE

- Average core PCE:
  - 2025: 2.76%
  - 2024: 2.83%
- July core PCE came in at 2.88%
- Rate cuts will cause inflation to rise
  - However, we believe it won't rise fast enough to affect this play
  - Most economists expect inflation to ease, but remain above 2%
- Fed policy path depends heavily on Core PCE staying on this track  
(Maintaining/Declining)

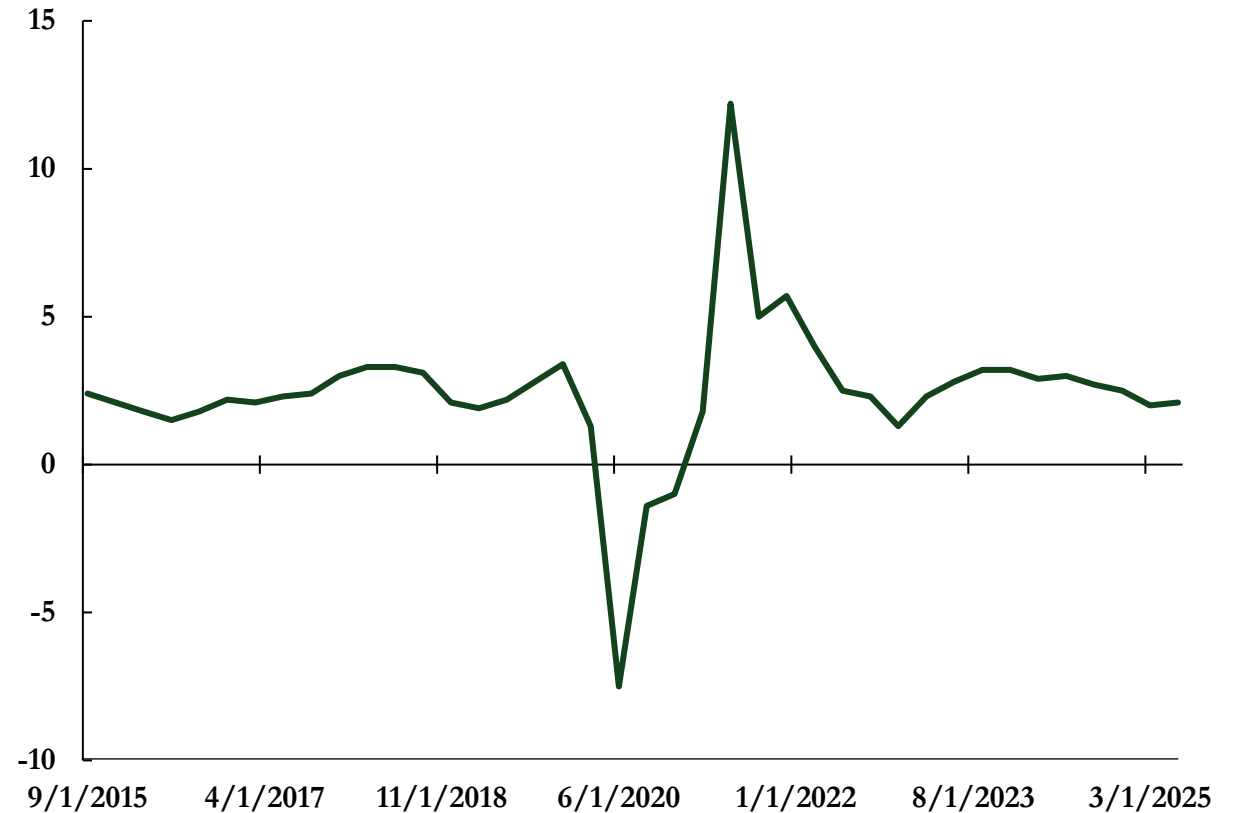




# GDP

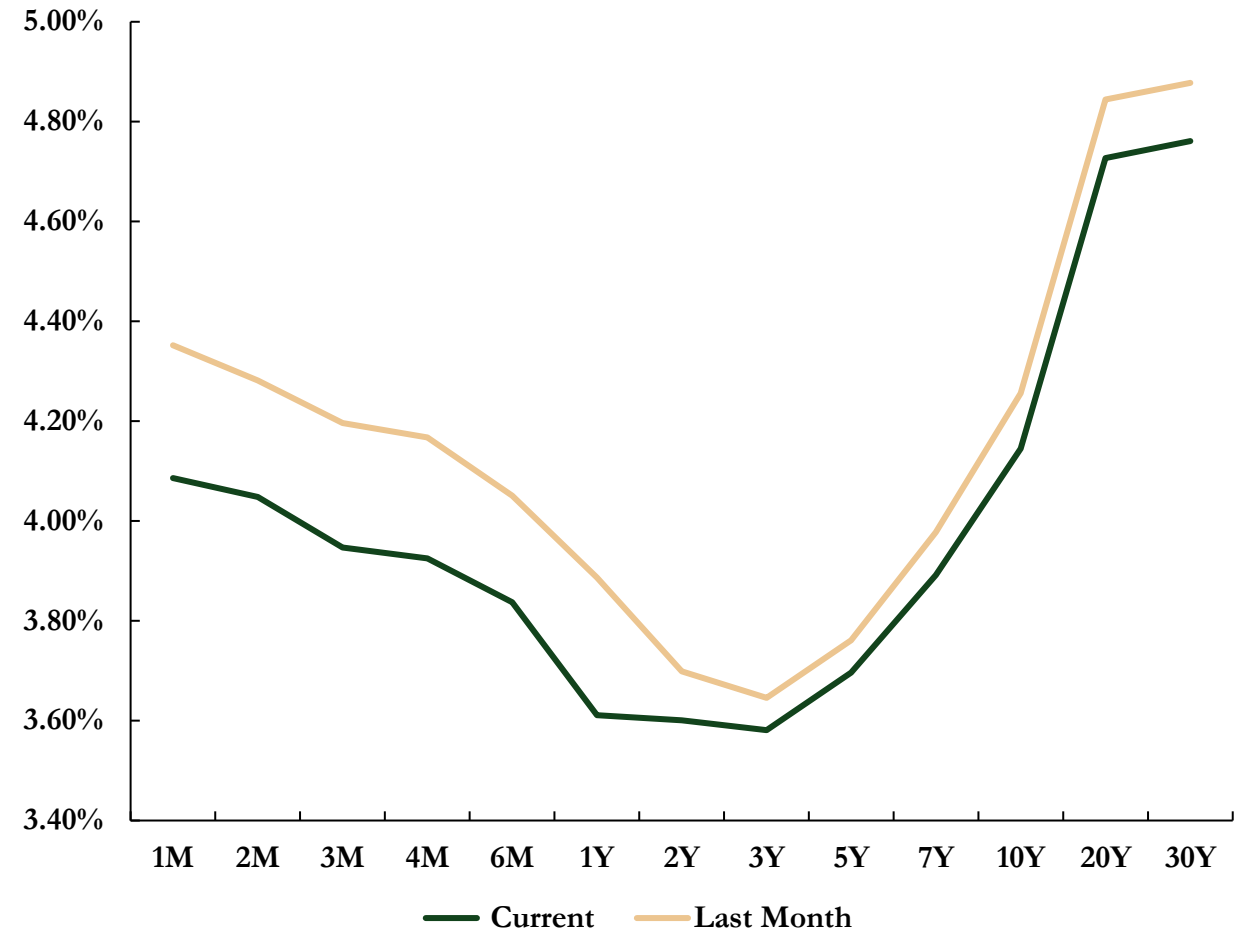
- US GDP growth has remained consistent for the last 10 year (Excluding covid)
- With consumption making up roughly 70% of the US GDP, the Fed needs to ensure people keep spending
- Q2 YoY GDP Growth was 3.3% which shows inflation shouldn't be growing "too fast"
  - When GDP growth gets above 3% inflation must rise in a MDC

Real GDP (yoy %)



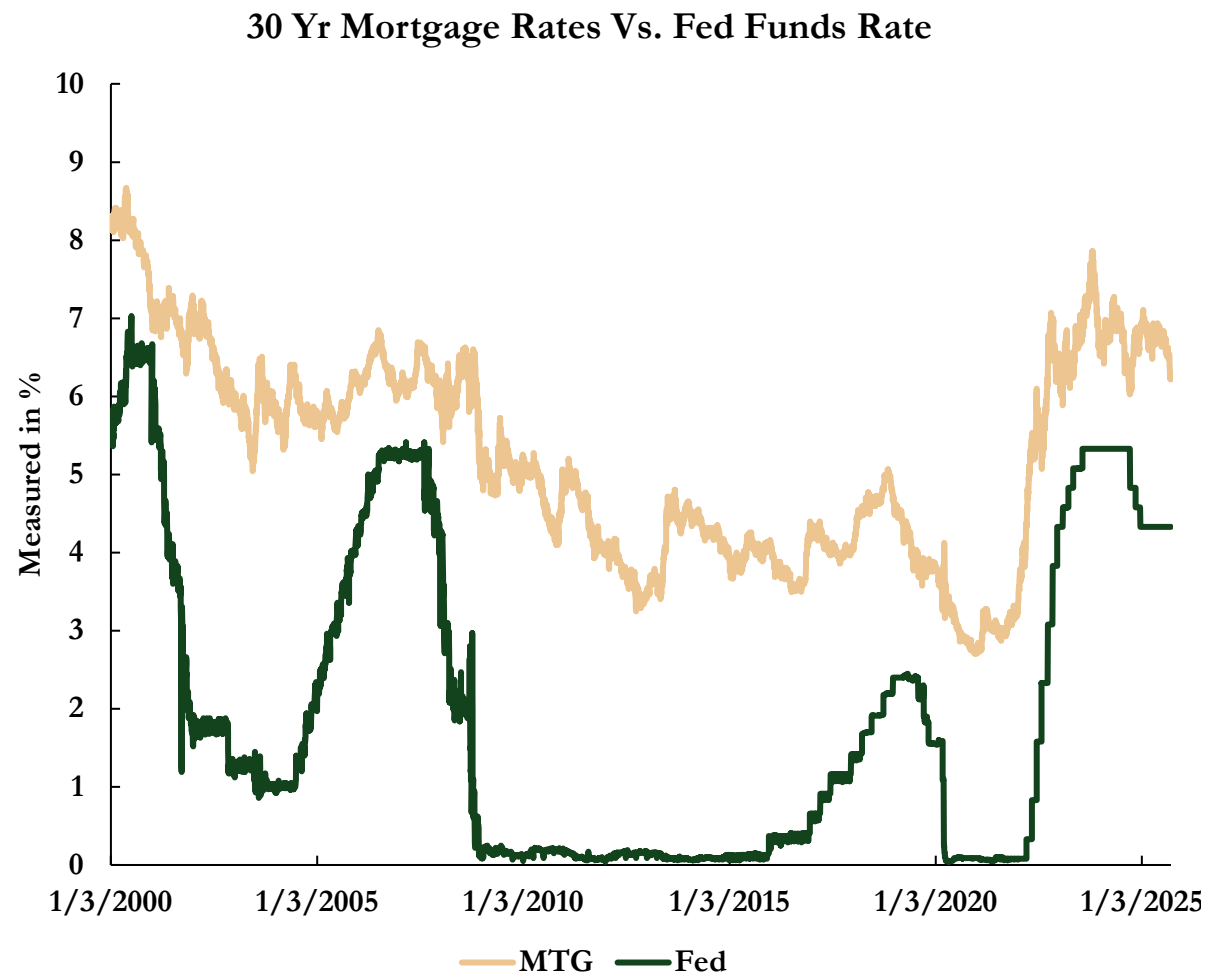
# Yield Curve

- When rates were cut by 25 bps the yield for the 10 Yr Treasury dropped 0.12%
  - This would have made us roughly \$240,000
- Short term yields dropped more than long term yields
  - Indicating the front of the curve is starting to flattening
- Flattening curve suggests market expects near-term Fed rate easing
  - Could push long-end yields down if inflation softens



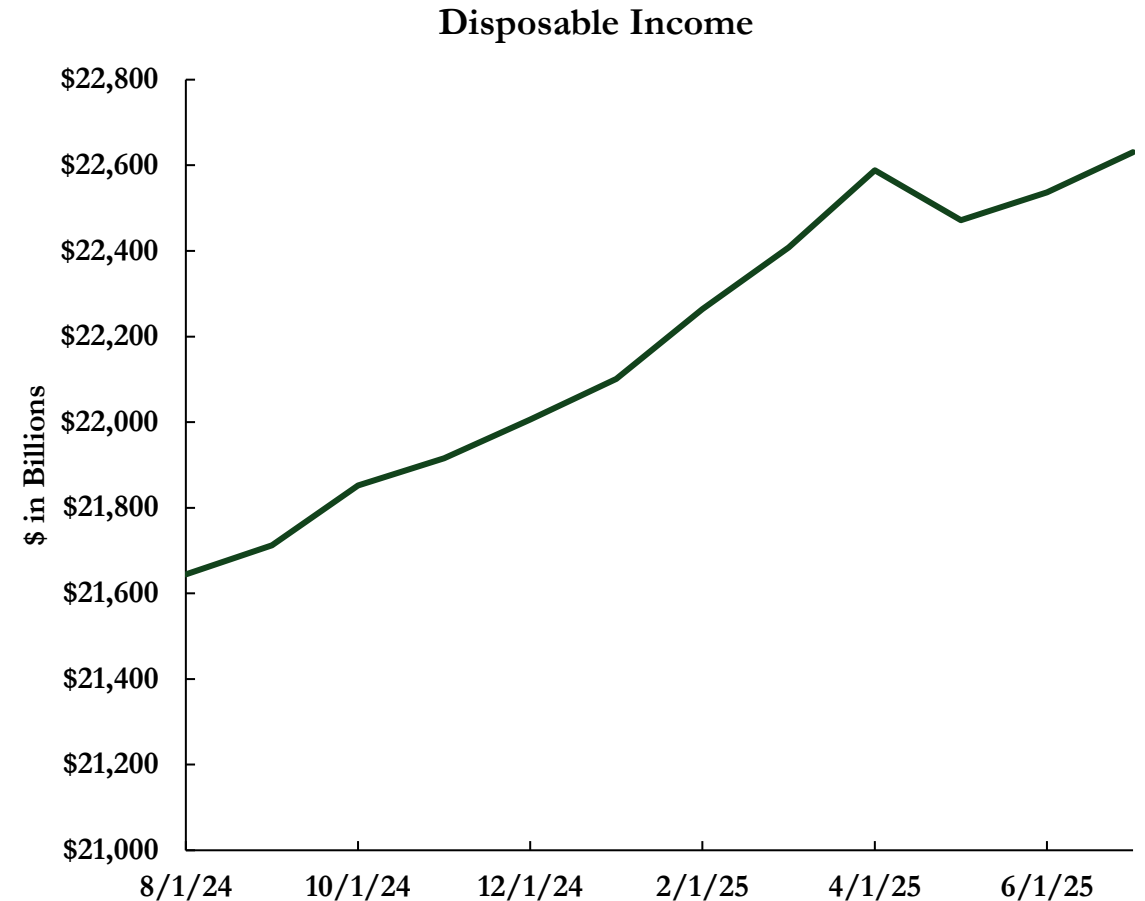
# Mortgage Rates

- Mortgage rates and the 10 Yr Treasury yield are loosely tied together
  - Correlation:  $\sim 0.4-0.6\%$
- Fed funds moves influence Mortgage rates indirectly
  - Expectations for growth
  - Inflation
  - Interest rate trajectory
- Lower Treasury yields could cause Mortgage rates to come down as well



# Disposable income

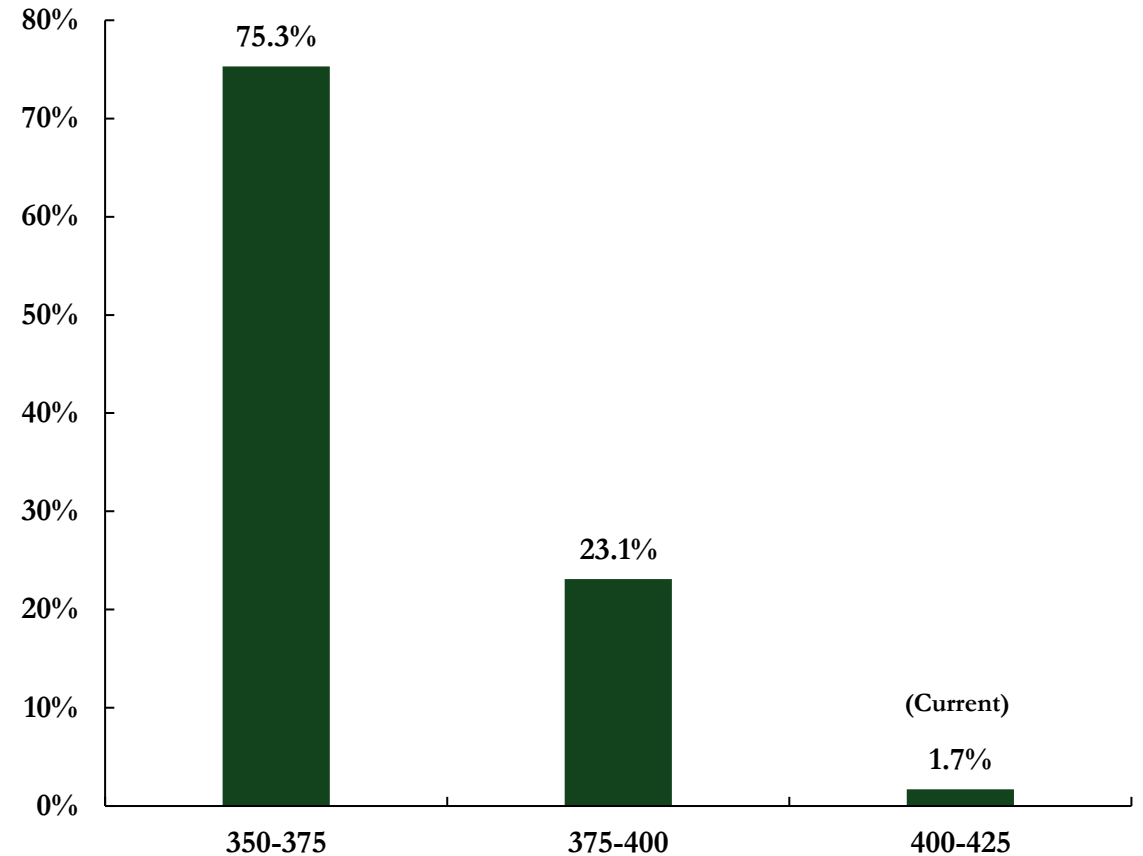
- In July 2025, household net worth jumped \$7.1 trillion (4.2%), from the prior quarter to \$176.3 trillion
- The value of real estate holdings rose \$1.2 trillion
- Consumer borrowing rose at 3.8% annualized pace



# Fed News

- On September 16th Powell “Penciled in” two 25bp rate cuts by the end of 2025
  - This is due to them being more concerned with unemployment rates and the overall labor market
- On September 23rd Powell hinted at no more rate cuts, which we do not believe to be true

Expected Rates by December 10th 2025



# Domestic Vs. Foreign Rates

## US Fed Funds Rate (FED)

- Current Rate: 4.00-4.25%
- Last Rate Cut: September 2025 by 25 bps from 4.25-4.50%
- Rate Cuts in 2025: 1
- Rate changes remain cautious, balancing economic factors

## Euro Central Bank (ECB)

- Current Rate: 2.00%
- Last Rate Cut: June 2025 by 25 bps from 2.25%
- Rate Cuts in 2025: 3
- Inflation is at target, so they are more aggressive with rate cuts

## Bank of England Rate (BoE)

- Current Rate: 4.00%
- Last Rate Cut: August 2025 by 25 bps from 4.25%
- Rate Cuts in 2025: 2
- Inflation is sticky so they are easing rates slower

# Fed Chair

- Current Fed Chair: Jerome Powell
  - Term ending in May 2026
- Scott Bessent is leading the Fed Chair replacement
  - Criticizes Powell for not initiating cuts sooner
  - Wants someone who is “open-minded”
- Potential Candidates
  - Stephen Miran: Appointed to Fed Board by Donald Trump
  - Phillip Jefferson: Current VP of the Fed
  - Lorie Logan: President of Dallas Federal Reserve

# Position Overview

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# Contract Specs

**Underlying Asset:** 10 Yr Treasury

**Number of Contracts:** 20

**Individual Contract value:** \$112,734.38

**Total Value of All Contracts:** \$2,254,687.60

**Value of 1.0 Basis Point:** \$1,000

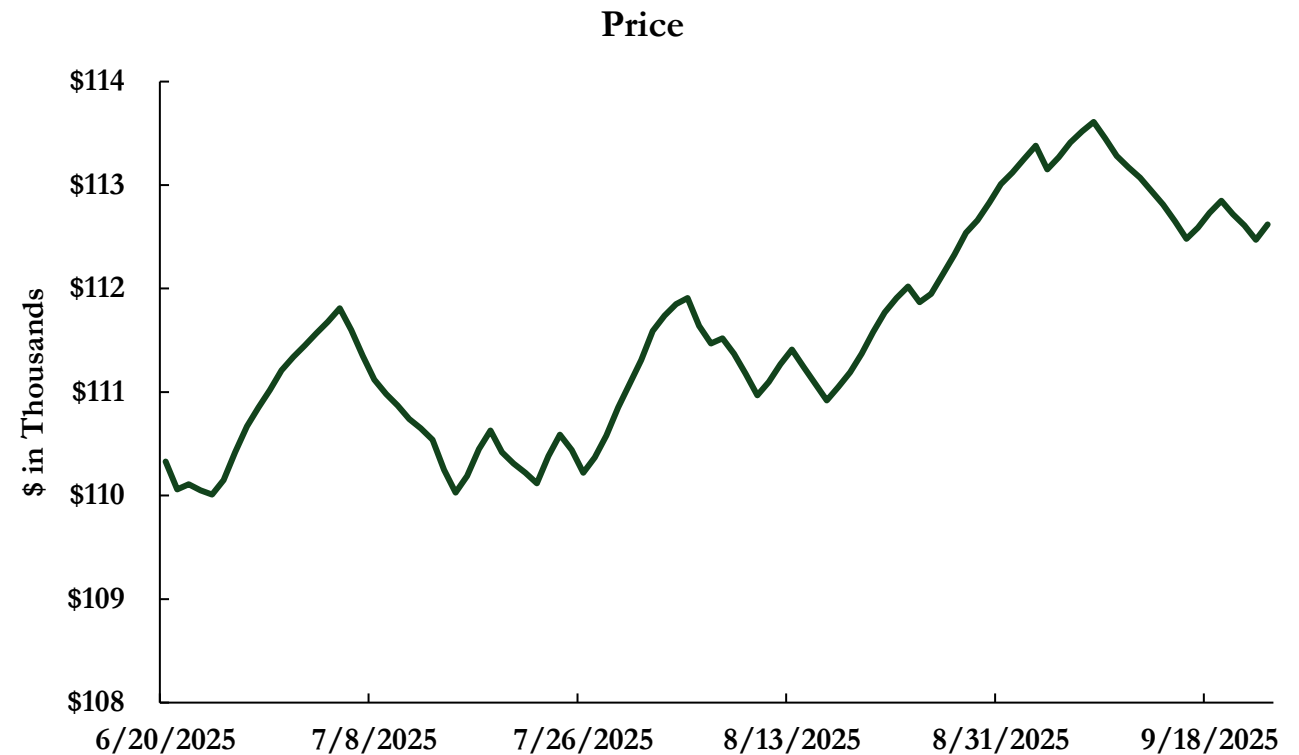
**Tick Size:** 0-00+ (64ths of a bp)

**Tick Value:** \$15.625

**Maturity Date:** March 31, 2026

**Initial Margin:** \$2,062

**Maintenance Margin:** \$1,825



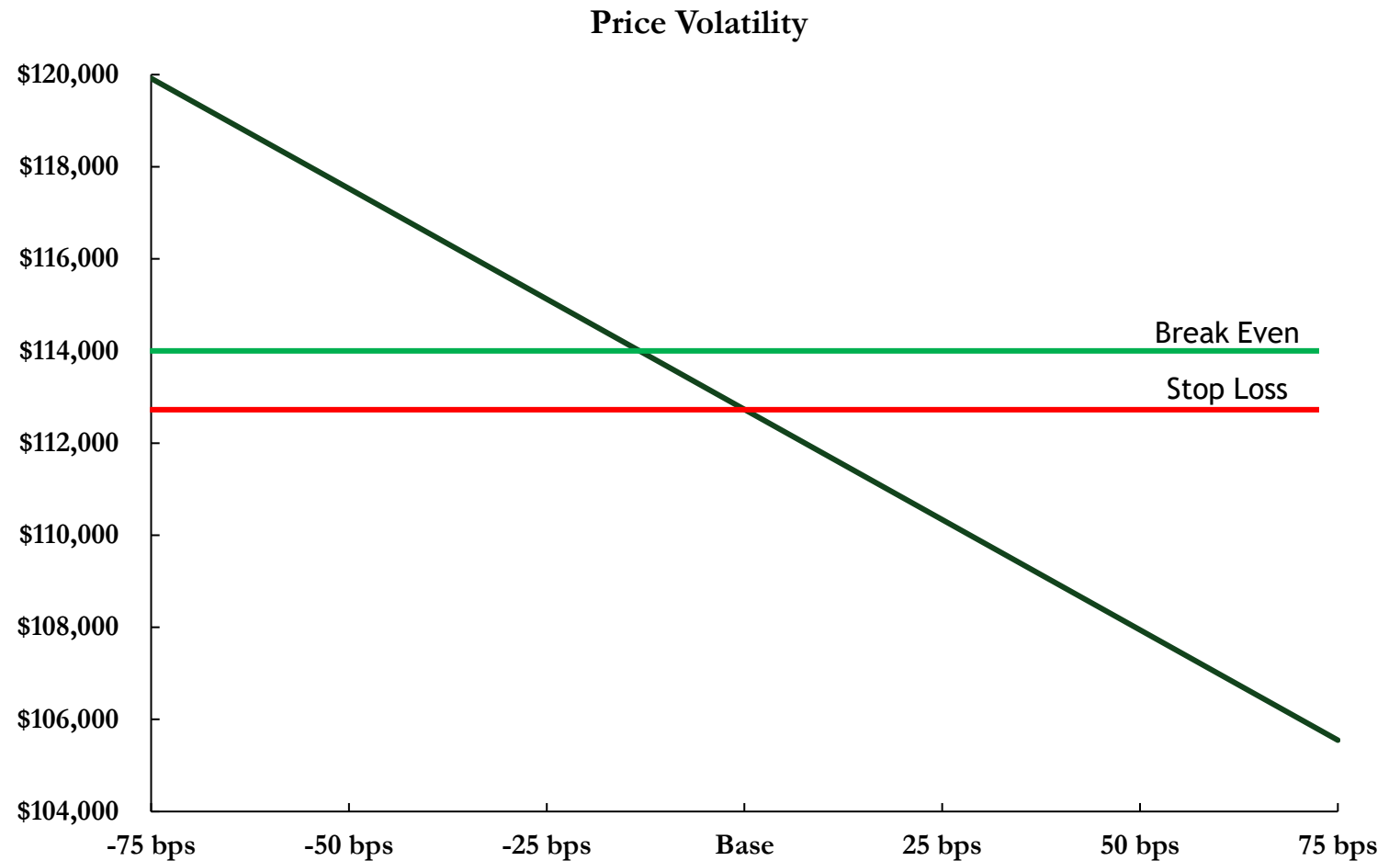
# Risk Parameters

**Current Risk:** 6.93

**Average Risk:** 6.93

**Future Risk:** 6.49

**Stop Loss:** 5% (\$112,734.38)



# Appendix

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# FED Dot Plot

