

10 Yr Treasury Note Future – (TYH6)

Rate Cut Capitalization

Investment Thesis

The 10-year Treasury future provides direct exposure to long-end U.S. rates, which are highly sensitive to Fed policy shifts and growth expectations. As the Fed cuts, we anticipate downward pressure on yields with investors positioning for slower growth and easing inflation. This trade benefits from duration's historical outperformance during policy pivots, though large deficits and heavy issuance could limit yield compression.

Thesis Highlights

- Weak Labor Market Opens Doors:** Rising unemployment and slowing wage growth are easing inflation pressures, giving the Fed room to cut without risking a rebound.
- Policy/Rate Easing Supports Duration:** Multiple rate cuts expected this year and next create a favorable backdrop for long 10-year Treasury futures as yields move lower.
- Historical Upside in Rate Cutting Cycles:** Long-duration assets have consistently outperformed in early easing cycles, as investors reposition for slower growth and falling yields

Thesis Risks

- Fed Holds/Slows Cuts:** If the Fed unexpectedly pauses or slows its easing cycle, long-end yields could rise instead of fall, creating downside risk for this play. That is why we have a stop loss at 5%
- Rate Cuts Already Priced In:** With multiple cuts anticipated, much of the easing may already be reflected in yields. If Powell's messaging is neutral, the market reaction could be muted, limiting upside

DMG

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Investment View: Bullish

Price Target: \$136.73

Current Price: ~\$112.73

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Position Information

Price: ~\$112.73

Amount: 20

Principal: \$2,254,687.60

Expiration Date: 03/31/2026

% of Portfolio: 5.64%

Chance of Rate Cut

400 – 425 : 5.9%

375 – 400 : 94.1%

Yield Curve

