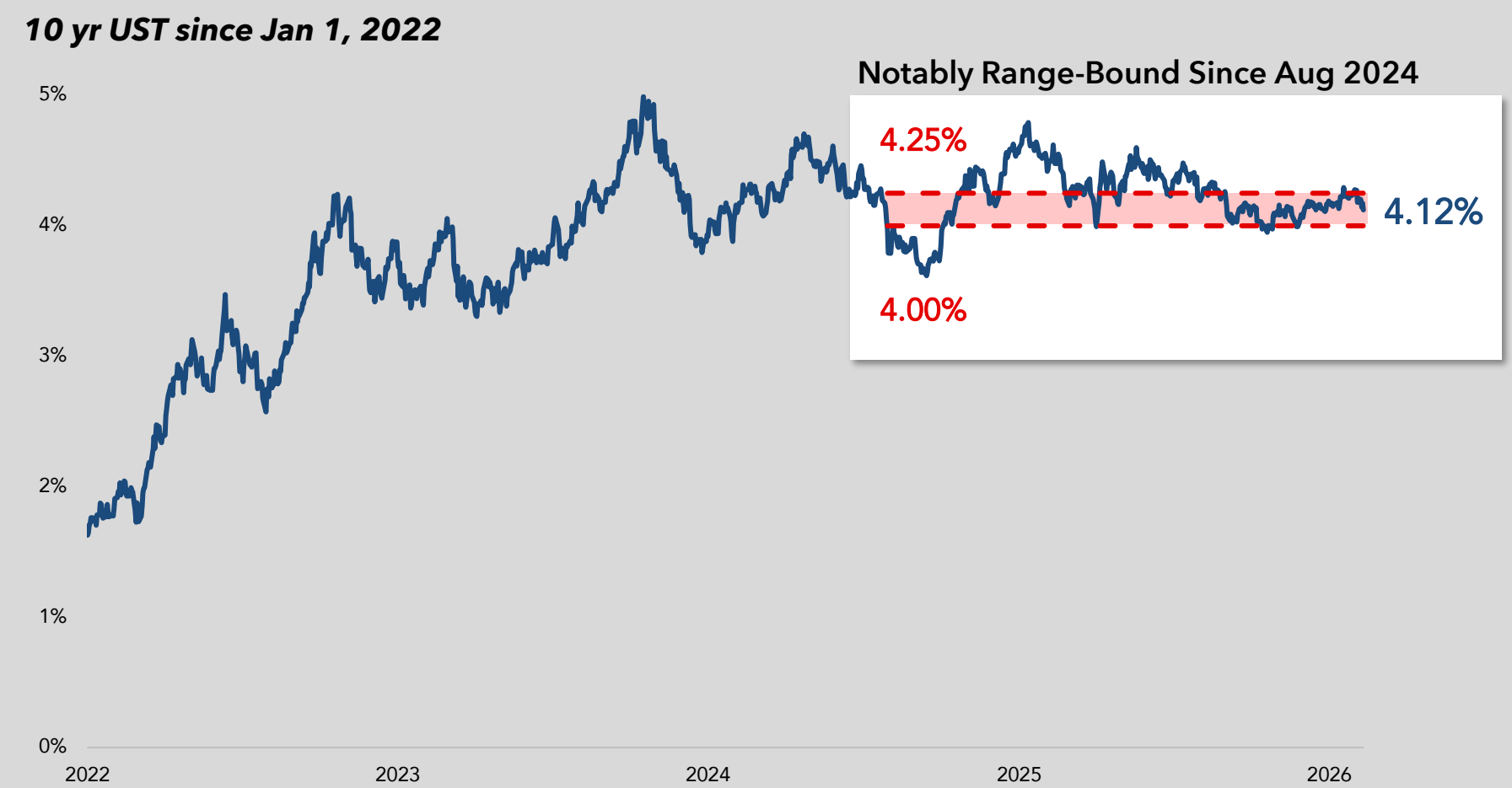


Chart of the Day



Remarkably Range-Bound 10 Yr UST Yields

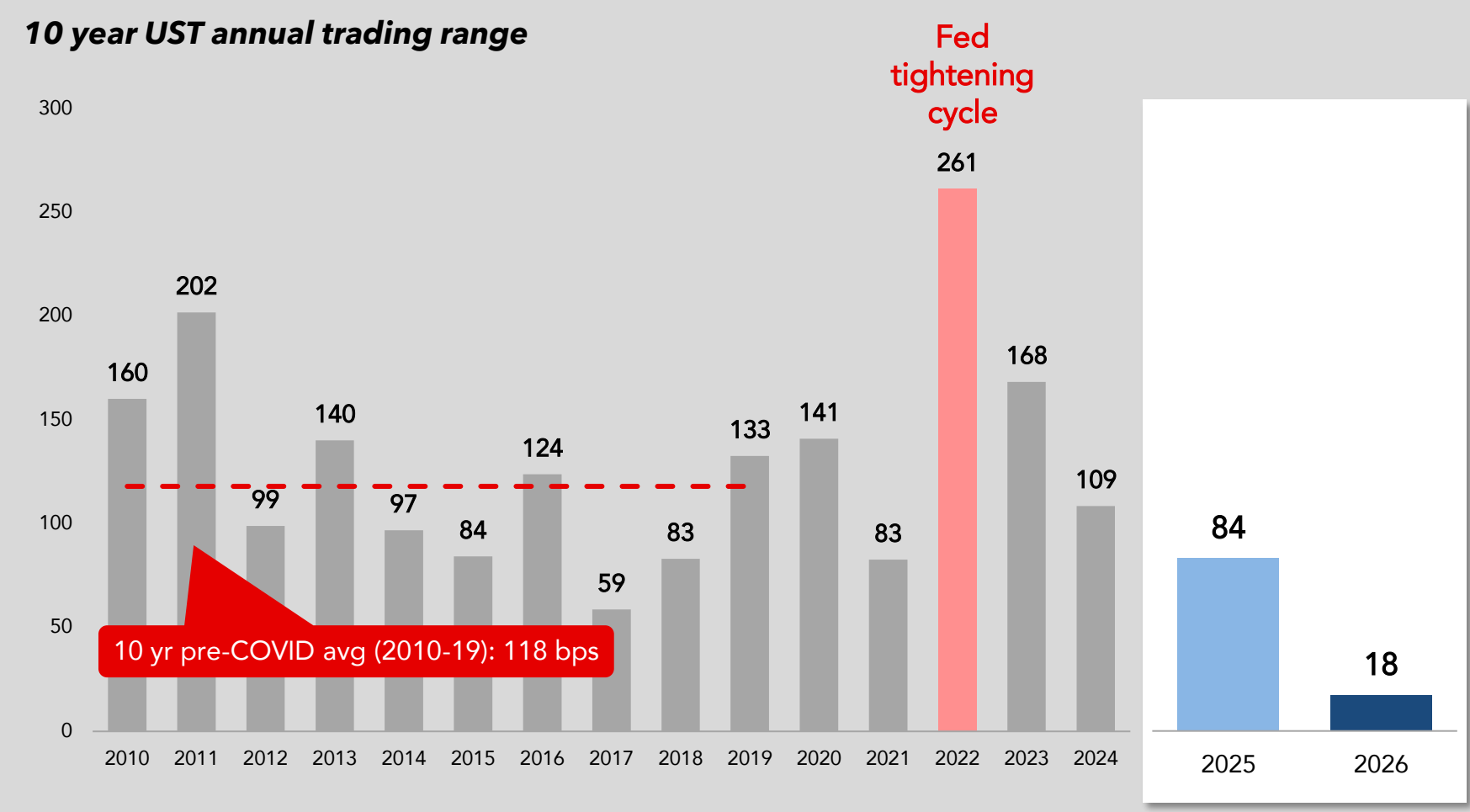
Despite elevated geopolitical risk, the largest trade war in a century, and relatively high economic uncertainty, 10 year UST yields have been remarkably range-bound over the last 18 months, with only occasional and fleeting spikes outside the 4.00 - 4.25% range since August 2024. Looking ahead to 2026, consensus forecasts expect range-bound trading levels to persist, albeit with a steepening bias. If true, US government bond returns in 2026 will be driven more by income (i.e., coupons) than by capital appreciation



Source: (1) Bloomberg. Data as of February 12, 2026.

Trading Band Well Below Historic Average

With the Fed on hold for much of the year, the full year 10 year UST trading range in 2025 was only 84 bps, well inside the pre-COVID decade average of 118 bps. This narrow trading range has been driven by tension emanating from the competing forces of structurally higher neutral rate (i.e., modest easing cycle) on the front-end, and offsetting forces increasing term premia on the long end (inflation risk, debt & deficits, rising Treasury supply, de-dollarization and policy confidence concerns).



Source: (1) Bloomberg. Data as of February 12, 2026.

Competing Forces Driving Narrow 10 Year UST Trading Range

Front end	Long end
<ul style="list-style-type: none"> Structurally higher neutral rates Modest Fed easing cycle Reversal of post-GFC financial suppression Resilient US economy Higher productivity growth; AI's expansion 	<ul style="list-style-type: none"> Sticky inflation above target Rising term premium Debt & deficits Rising UST supply Policy confidence concerns (trade, Fed independence) Marginal de-dollarization pressures

Tension / competing forces

Global Corporate & Investment Banking Capital Markets Strategy Team



Tom Joyce
Managing Director
Tom.Joyce@mufgsecurities.com
(212) 405-7472



Stephanie Kendal
Vice President
Stephanie.Kendal@mufgsecurities.com
(212) 405-7443



Angela Sun
Analyst
Angela.Sun@mufgsecurities.com
(212) 405-6952

"Macro stability isn't everything, but without it, you have nothing."