

MBS & TREASURY MARKETS

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UPDATE: Stronger Overnight. Data Not Hurting

- Jobless Claims 218k vs 200k f'cast, 197k prev
- Philly Fed Survey 2.6 vs 16.0 f'cast, 17.6 prev
- Philly Fed 6-mo outlook 2.5 vs 8.2 prev, lowest since 2008

Bonds were initially weaker overnight, but rallied significantly in Europe in concert with steep declines in equities, oil prices, and EU bond yields.

This morning's 830am data has actually proven to be a market mover, which isn't always something we'd assume from Philly Fed. But the notion of a 6-month outlook in a business sentiment survey being back to 2008 levels is telling.

Additionally, the "prices paid" component of the survey dropped to 78.9 from 84.6 in April. In a market where inflation is the key consideration, that may also hold some benefit for bonds.

10yr yields are down 8.8bps at 2.796 and UMBS 4.0 coupons are up 3/8ths of a point.



Dan Clifton

NMLS #284174 Managing Member, Mortgage Loan Originator and Mortgage Guru, Clifton Mortgage Services, LLC

CliftonMortgageServices.com

P: (888) 681-0777 x1001

M: (407) 252-3039

dan@cliftonmortgageservices.com

1177 Louisiana Ave
Winter Park FL 32789

NMLS #852745

