

MBS & TREASURY MARKETS

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UPDATE: MBS Moving Back Into Positive Territory

After spending most of the day treading water at slightly weaker levels, MBS are back in the green to the tune of roughly one eighth of a point.

2pm served as a jumping-off point for a small but noticeable rally in Treasuries. 10yr yields dropped from 3.56 to 3.513 during that time (7bps lower on the day).

Compelling justifications are hard to come by. There's some talk of equities losses, but while there is correlation with bonds, the magnitude and timing leave something to be desired (i.e. stocks and bond yields fell together, but there was nothing special about the stock selling at 2pm, which is when bonds moved more sharply lower).

2pm-3pm is characteristically a more volatile time of day, often suspected of hosting outsized high-frequency and other algo trades.

We can also point to an absence of any new corporate investment grade issuance.

Either way, yields are currently respecting the range floor at 3.50 and today's move isn't any bigger than most recent days. It just happened all at once, more or less.

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