

# MBS & TREASURY MARKETS

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## The Day Ahead: The Other Side of Sideways

The bond market has been decidedly more sideways after hitting longer-term yield highs last Tuesday. 10yr Treasuries have been a relatively narrow range since then, mostly respecting a ceiling of 4.65 and a floor of 4.57. The first two days of the week saw yields start near the ceiling and improve by the close. We're starting near the ceiling again today but so far, we haven't been as quick to rally.



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Weakness began in the overnight session on a combination of factors. Tensions remain high heading into the Bank of Japan announcement (after the close on Thursday). Concerns center on the prospect of official selling of Treasuries in order to defend against additional weakness in Yen/USD exchange rates.

Losses continued after strong IFO data in Germany with some spillover between European and US yields.

In general though, US yields have been trending gradually higher since hitting the lows yesterday afternoon. Neither the IFO data, nor the U.S. Durable Goods reaction have caused much deflection.



The afternoon's key event is the 5yr Treasury auction at 1pm ET. These don't usually cause big reactions, but it's definitely capable of intraday volatility and/or shifting an intraday trend.