

MBS & TREASURY MARKETS

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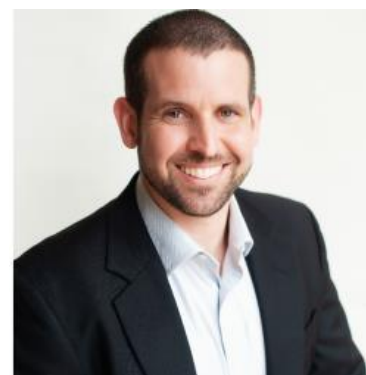
UPDATE: Some Selling at 8:20am CME Open

- Import Prices
 - -0.6 vs 0.0 f'cast, 0.6 prev
- Export Prices
 - -0.4 vs 0.1 f'cast, 0.9 prev

Bonds backtracked on a majority of the overnight gains in the past half hour. Neither move was especially big and trading levels remain in positive territory ahead of lender rate sheet print times. As such, this isn't too alarming, but it was a bit counterintuitive given the lower inflation implications associated with the import/export price data.

The simplest conclusion is that that data isn't the driver. A quick look at the clock and volume suggests traders were lined up for the 8:20am CME open to square up some long positions heading into the weekend. There's also some chance that Fed's Mester's comments had an impact, but on balance, they seemed more bullish than bearish for bonds. Here's the run-down:

- FED'S MESTER: LATEST INFLATION DATA HAS BEEN WELCOME NEWS - CNBC
- FED'S MESTER: WE ARE STARTING TO SEE INFLATION MOVE DOWN AGAIN AFTER STALLING
- FED'S MESTER: NEED TO SEE INFLATION FALL MORE FROM CURRENT LEVELS
- FED'S MESTER: IT IS CLEAR MONETARY POLICY IS AFFECTING ECONOMY
- - FED'S MESTER: NEUTRAL INTEREST RATE MOVES AROUND ALL THE TIME
- FED'S MESTER: WANTS TO SEE A FEW MORE MONTHS OF EBBING INFLATION DATA
- FED'S MESTER: IMPORTANT NOT TO WAIT TOO LONG TO CUT RATES
- FED'S MESTER: 'WE ARE IN A GOOD POSITION' WITH MONETARY POLICY
- FED'S MESTER: THE LABOR MARKET IS STILL VERY STRONG
- FED'S MESTER: FOMC IS DOING GOOD WORK UNDERSTANDING, FORECASTING ECONOMY
- FED'S MESTER: POLITICS DOES NOT COME INTO FOMC DEBATES



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