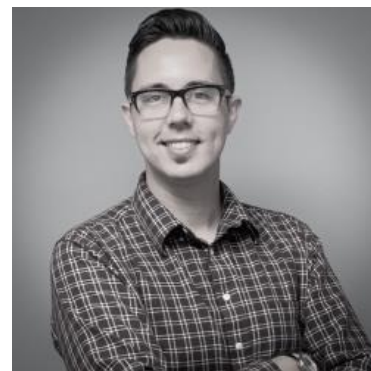


MBS & TREASURY MARKETS

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The Day Ahead: Powell Testimony And Treasury Auction Cycle

The new week is one day less new today, but no less sideways so far. Yields rose microscopically in the overnight session, but even that is a generous assessment considering the range in the 10yr was less than 3bps. Domestic hours are off to a sleepy start with yields in an even narrower 1bp range (essentially 4.29 to 4.30).



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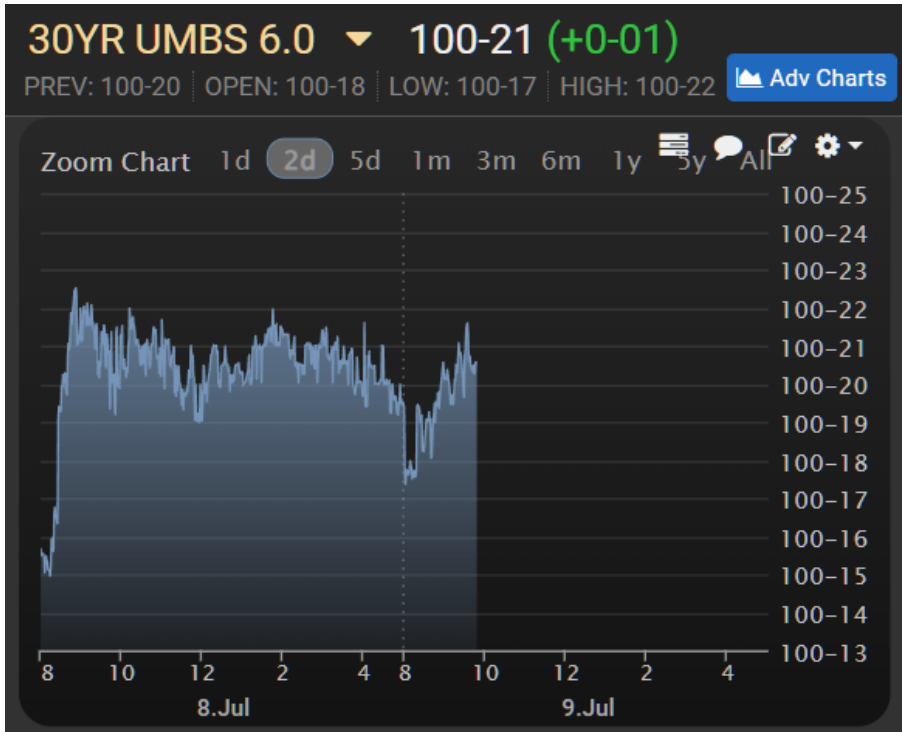
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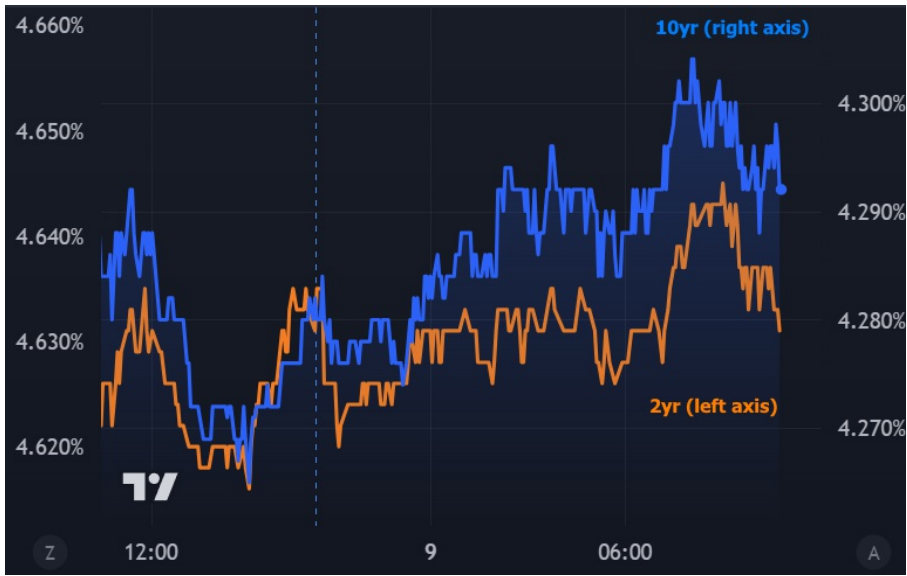
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MBS have been a bit more willing to move with 6.0 coupons back into positive territory after a weaker start.



The Treasury yield curve helps explain the outperformance with 2yr yields unchanged and 10yr yields up 1.5bps on the day.



Against this boring backdrop, there's nothing to do but wait to see if Powell has something interesting to say in the 10am congressional testimony. Apart from that, the Treasury auction cycle is another source of potential volatility starting at 1pm, but tomorrow's 10yr auction is far more capable than today's 3yr auction in that regard.