

# MBS & TREASURY MARKETS

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## The Day Ahead: Nominal Pullback or a Negative Shift in The Trend?

Bonds are under a bit of pressure this morning with a modest extension of weakness that began in European trading hours. While this morning's selling seems to have leveled off for domestic traders, it nonetheless leaves yields at levels that are on the unfriendly side of the prevailing trend. While it's true that this is a trend breakout in and of itself, it's also true that there are other trends to consider. For instance, yields remain well within the 3.8 - 4.0 range that emerged as the August baseline more than 2 weeks ago. If we're seeing a bounce at the bottom of that range, it's completely acceptable in light of the Treasury auction cycle beginning--not to mention the absence of compelling, bond-friendly econ data.

Wayne Tucker

Spectra Mortgage Corporation

[www.spectramortgage.com](http://www.spectramortgage.com)

P: (303) 468-1985

M: (303) 884-4446

[wtucker@spectramortgage.com](mailto:wtucker@spectramortgage.com)

3900 SWadsworth  
Lakewood CO 80235

NMLS#:298382, Colorado #:  
MLO100009851

Spectra Mortgage Corporation  
NMLS License: 387483

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