

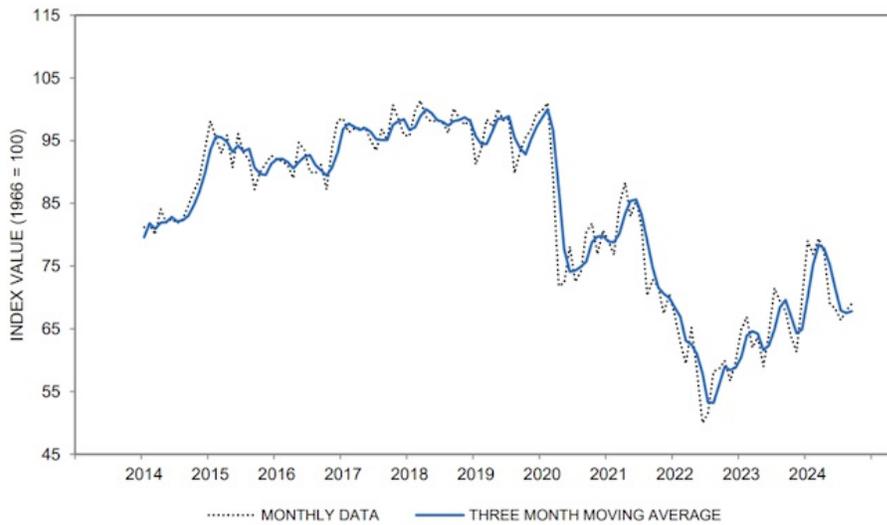
MBS & TREASURY MARKETS

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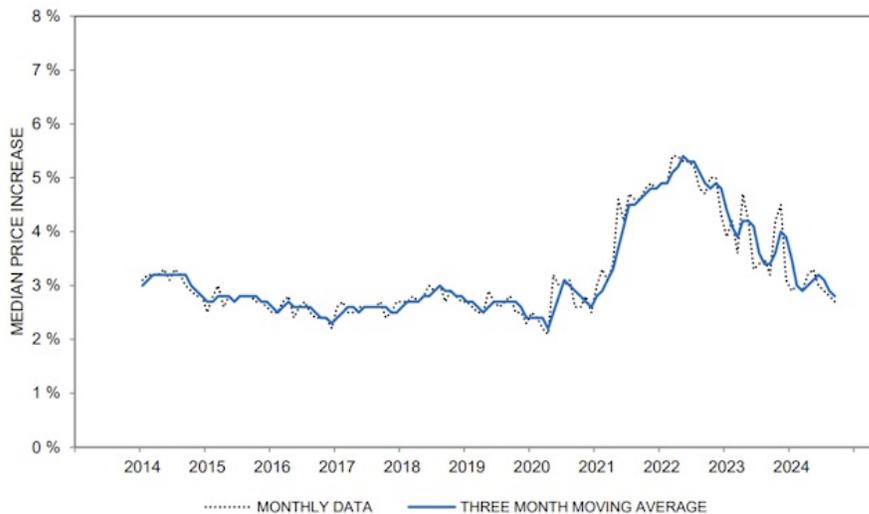
The Day Ahead: No Impact From Consumer Sentiment

Today's only potentially relevant economic data was the 10am Consumer Sentiment data. This report comes out twice a month, once in "preliminary" form earlier in the month and then in "final" form 2 weeks later. The first release is typically the only shot for a noticeable market reaction as the "final" tends to be well-telegraphed by the first release. Despite that fact, today's preliminary release was a non-event with headline sentiment coming in close to consensus and 1-year inflation expectations ticking down 0.1%.

THE INDEX OF CONSUMER SENTIMENT



EXPECTED CHANGE IN PRICES DURING THE NEXT YEAR



With that, bonds continue the process of quietly consolidating in the lower middle portion of this week's range.



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Most of the movement at the end of the week has been in Fed Funds Futures and the shortest term Treasury yields. The catalyst was a WSJ article discussing the possibility of a 25bp vs 50bp rate cut next week. The fact that Timiraos is writing on the possibility of 50bp is being taken by some market participants as foreshadowing, even though everyone else is also talking about 25bp vs 50bp in various ways.

