

MBS & TREASURY MARKETS

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UPDATE: Bonds Surprisingly Willing to Sell After NY Fed Manufacturing Data

- NY Fed Manufacturing
 - 11.5 vs -3.9 f'cast, -4.7 prev

Bonds were moderately stronger in the overnight session without any excitement in terms of data or headlines apart from a Bloomberg article on former NY Fed Pres Bill Dudley discussing the case for a 50bp Fed rate cut this week. This had a bigger impact on the shorter part of the yield curve, but nonetheless helped MBS begin the day about 5 ticks (.16) higher.

The NY Fed data (aka Empire State Manufacturing) isn't a perennial favorite in terms of market movement capability. It occasionally has a modest impact, but we wouldn't necessarily have expected it to remind us of that capability in the current market environment. To be fair, it didn't make much of a dent this morning, but the volume and volatility at 8:30am are fairly conclusive. It was worth just under 2bps of weakness in 10yr yields and not quite an eighth of a point of weakness in MBS.

Both are still stronger on the day, but 5.0 MBS coupons are now up only 2 ticks (.06) and 10yr yields are down 1.1bps at 3.643 (up from lows of 3.624).



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