

MBS & TREASURY MARKETS

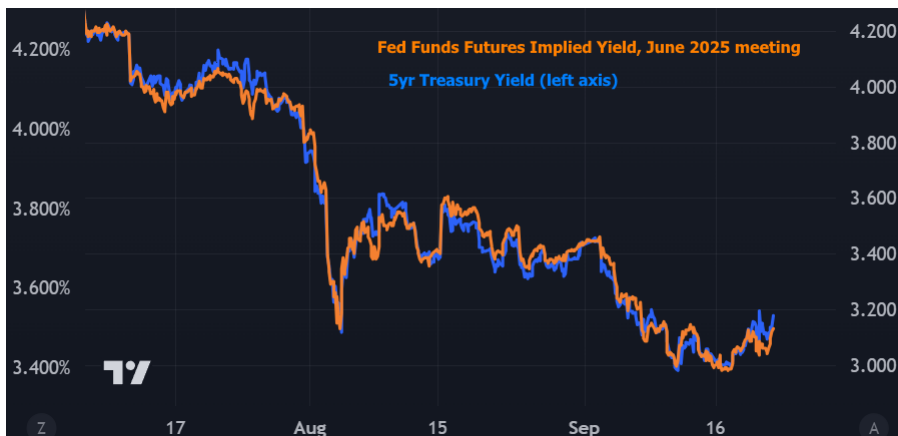
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The Day Ahead: Bonds Continue "Selling The News"

Wednesday's Fed rate cut was the worst kept secret in the financial world for months, and the 50bp rate cut was increasingly suspected in the week leading up to the announcement. You've likely heard the old saying "buy the rumor, sell the news" when it comes to big ticket events in financial markets. With bond yields being at the lowest levels in more than a year on the day before the Fed announcement, it's very fair to view the strength as "buying the rumor" with the ensuing trading offering a fairly mild example of "selling the news." As 10yr yields rise back above last week's range, it's increasingly likely that this phenomenon is in its mature stages and the next impulse will be data driven.



As for the extreme correlation between Fed Funds Rate expectations and the bond yields most closely correlated with mortgage rate movement, here you go:



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