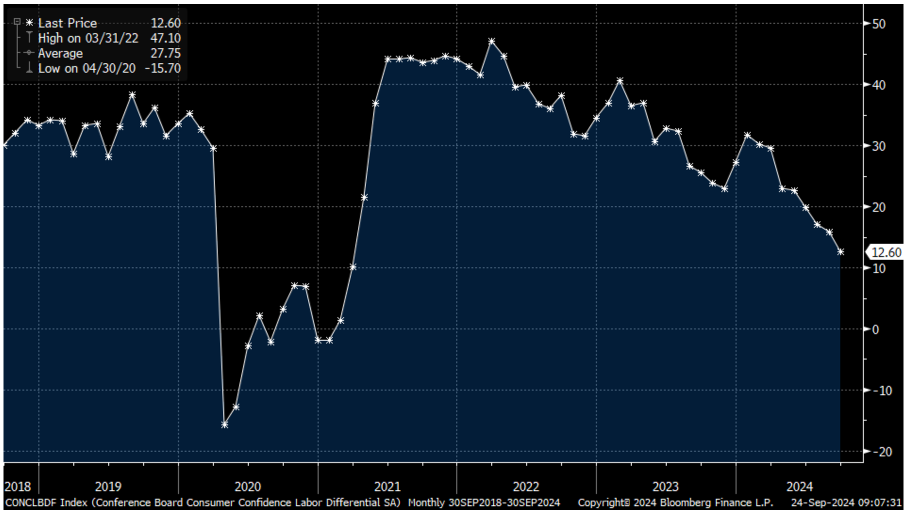
UPDATE: Losses Erased After Weak Confidence Data

- FHFA Home Prices
  - 0.1 vs 0.2 f'cast, 0.0 prev
- FHFA Annual Change
  - 4.5 vs 5.3 prev
- Case Shiller Home Prices
  - 0.0 vs 0.6 prev
- Case Shiller Annual Change
  - 5.9 vs 6.5 prev
- Consumer Confidence
  - 98.7 vs 103.8 f'cast, 105.6 prev

Bonds were weaker overnight, fairly steadily, both before and after the European session. US traders set the ceiling for yields at around 8:40am, but didn't push back too much until the Consumer Confidence data.

In addition to the weaker headline, it was likely the "labor differential" inside the confidence data that prompted the buying demand in bonds. This refers to the survey questions regarding jobs being "plentiful" versus "hard to get." The lower the labor differential, the more downbeat the employment outlook is.



MBS are now all the way back into positive territory with 5.0 coupons up 1 tick (.03) 10yr yields are down from 3.909 highs to 3.751 (less than half a bp higher on the day).

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