

## The Day Ahead: A Very Easy Explanation For MBS Underperformance

The day begins with MBS in slightly weaker territory while Treasuries are slightly stronger. The discrepancy isn't really big enough to merit any urgent explanation, but either way, there are several. First off, there was a group of after-the-bell trades in MBS last night (around 5:02pm) that set artificially high 'previous close' prices. A quick look at the chart suggests MBS are slightly stronger than anything seen yesterday.



Still, if we had to justify legitimate underperformance it would be as easy as pointing to the general outperformance of MBS last week. Treasuries were clearly making room for Treasury auctions and have had some room to recovery since then.



Last but not least, since it's the last day of the year, one could always say Treasuries are benefiting more from month/year/quarter-end positioning, but that's overkill in this scenario.



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