

MBS & TREASURY MARKETS

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The Day Ahead: Pre-3 Day Weekend Volatility is a Thing

It always bears repeating that "predictions are for suckers" and if there were a hard and fast rule about what markets do in certain scenarios, traders could take advantage of those probabilities, thus restoring the odds to a more neutral level. With that disclaimer aside, in scenarios where rates rally fairly sharply on Wed/Thu with motivation from data/events, and when there is no major data on Friday, and when it is a 3 day holiday weekend, we'd wager that 6 out of 10 traders would expect a bit of a pull-back.

In the first few hours of domestic trading, we're not seeing a major example of that, but it's a risk to keep in mind. For those feeling jumpy and looking for a defensive ceiling, yesterday's closing yield of 4.61 has already offered a supportive bounce after the overnight gains and early selling.



Next week is a bit of a wild card due to market reaction to the anticipated salvo of executive orders after Trump's inauguration.



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