

MBS & TREASURY MARKETS

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UPDATE: Erasing Overnight Weakness After ISM Data

- ISM Manufacturing
 - 50.3 vs 50.5 f'cast, 50.9 prev
- ISM Prices
 - 62.4 vs 56.2 f'cast, 54.9 prev
- ISM Employment
 - 47.6 vs 50.1 f'cast, 50.3 prev
- ISM New Orders
 - 48.6 vs 54.6 f'cast, 55.1 prev

Bonds were moderately weaker in the overnight session with 10yr yields just above 4.26% at times. There was already a decent show of support there, but the ISM data has prompted a decisive reversal with 10s now down 3bps at 4.184 and MBS back to unchanged after being down a quarter point.

This is a somewhat counterintuitive result given the jump in the inflation component of the data, but the other components are weak enough to more than make up for it.



Nathaniel Rutkoski

Mortgage Broker, Zoom Loans

www.ZMLoans.com

M: (408) 767-6311

2140 W Grantline Rd

Tracy CA 95376

NMLS# 356590

ZOOM LOANS

