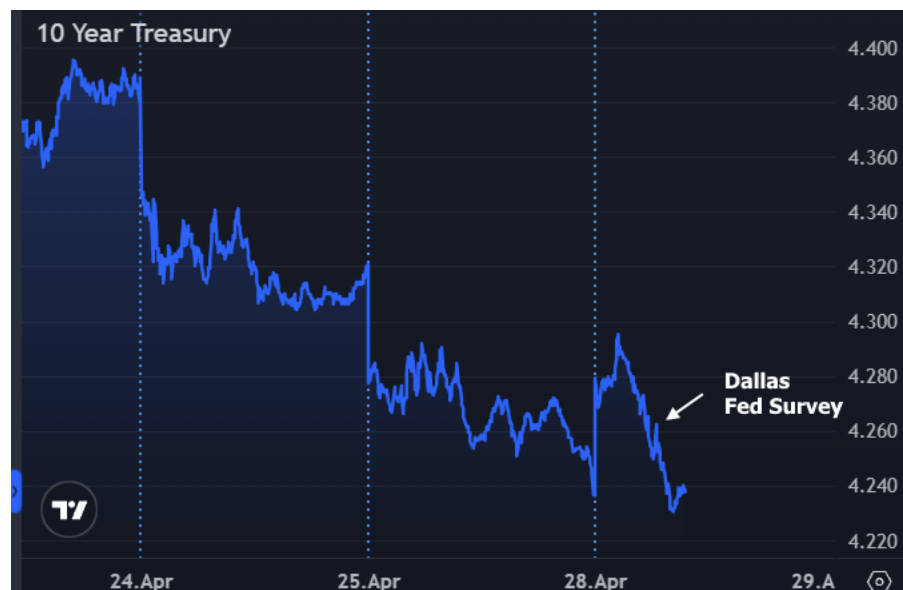


MBS & TREASURY MARKETS

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The Day Ahead: Bonds Starting New Week at Last Week's Best Levels

When getting a sense of what's happening in the bond market, it's frequently safe to ignore the last 2 hours of trading on Friday and the first 2 on Monday. When that logic is applied today, we found this morning's 10am yields precisely in line with Friday's 3pm levels and MBS doing just a bit better. There was just a bit of additional improvement after the Dallas Fed Survey.

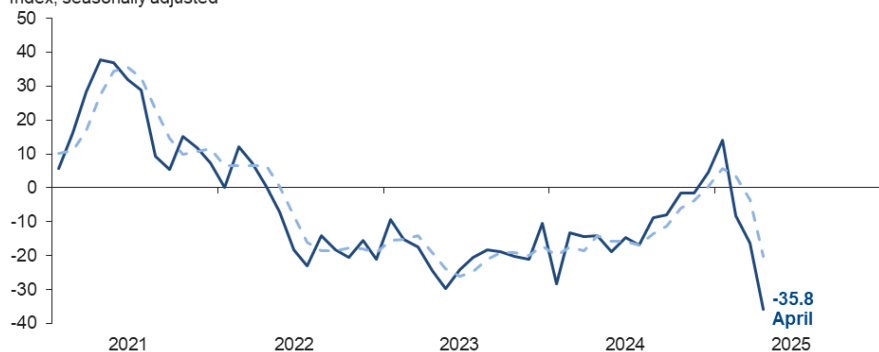


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Texas Manufacturing Outlook Survey General Business Activity

Index, seasonally adjusted



NOTE: Dashed line shows the three-month moving average.

Federal Reserve Bank of Dallas

This is the only day of the week without any major data or calendar event in the morning hours. Broader market focus remains on equities and earnings season, but Treasuries get quarterly refunding estimates at 3pm--something that can occasionally have a very noticeable impact.