

MBS & TREASURY MARKETS

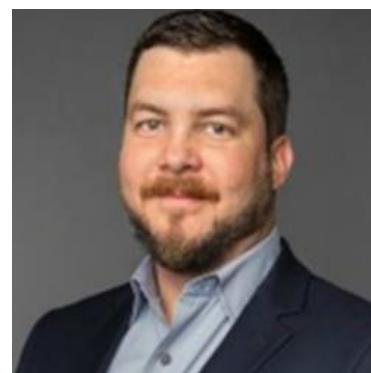
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ALERT: Losing Ground After ISM Data

- ISM Manufacturing PMI
 - 48.7 vs 48.0 f'cast
- ISM Prices Paid
 - 69.8 vs 70.3 f'cast, 69.4 prev

The S&P version of this data (out 2 weeks ago) suggested we should brace for a big spike in the "prices paid" component. Clearly, that has not materialized. Additionally, the PMI itself was slightly stronger than expected. Bonds are selling on the news with MBS down 2 ticks (.06) on the day and 7 ticks (.22) from the pre-data highs.

10yr yields are now up 2.1bps at 4.18.



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