

MBS & TREASURY MARKETS

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ALERT: Losing More Ground After Moody's Downgrade

This news isn't as big as it may sound but Moody's just downgraded the US credit rating to Aa1 from AAA. In a statement, Moody's said "we recognize the US' significant economic & financial strengths, and believe these no longer fully counterbalance decline in fiscal metrics" and "we do not believe material multi-year reductions in mandatory spending to result from the current fiscal proposals under consideration."

Moves like this aren't unheard of surrounding some of the more heated budget and debt ceiling battles, but markets tend to trade it nonetheless. This particular example is no doubt exacerbated by late Friday [liquidity](#).

MBS are now down 7 ticks (.22) on the day and roughly 3/8ths from AM highs. Lenders who are still in the office and who haven't already repriced for the worse are increasingly likely to do so.

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