

MBS & TREASURY MARKETS

Daily Coverage. Industry Leading Perspective.

The Day Ahead: Japan? Something Else? Does it Matter?

Last week's overseas headlines raised questions about a spillover from volatility in the Japanese bond market to US yields. At issue: attention-grabbing newswires regarding a surge in long-term Japanese yields. Now today, overnight headlines made for a decisive correction in Japanese yields--one that's being credited for opening strength in Treasuries. Is it warranted? Maybe... Whether it is or isn't, the movement in Treasuries is insignificant by comparison. Yields continue operating in the same range, although they are now arguably exiting the prevailing uptrend of the past few weeks.



As for the Japan effect, here's the case being made for today:



That looks pretty compelling, but if we zoom out, we can see the much larger movements in JGBs (Japanese government bonds) having absolutely zero correlation with Treasuries.



Robert Cloud

Mortgage Broker, Cloud
Financial Group LLC

www.bobbycloud.com

P: 5126272487

M: 5126272487

8007 Davis Mountain Pass
Austin TX 78726-____
247321



Bottom line: we'd take the Japan effect with a grain of salt--especially on a holiday-shortened week.