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The Day Ahead: Overnight Trading Makes No Guarantees

We have a primer in the MBS Live knowledge base regarding the potential for overnight news and bond trading to give a completely different impression of how the following day will eventually trade: [Overnight trading makes no guarantees](#). This seems applicable today. Last night, markets began moving in one direction on news that a U.S. trade court "blocked" Trump tariffs. Now this morning, markets moved all the way back in the other direction, even before econ data came out. Yes, there are times when big overnight headlines result in a logical move that is sustained the following day. This is just not one of those times. Bond traders are under no illusions that the court ruling will have a lasting impact on tariff policy. Morning econ data added to the reversal with weaker claims and GDP garnering a small reaction.

Mark Ingram

Broker Owner, Ingram Company

www.ingramcompany.net

P: (949) 378-1701

M: (949) 378-1701

170 E. 17th St. #200G
Costa Mesa CA 92627

CADRE: 01226769

NMLS: 371141/358879



In addition to continued claims coming in at the highest level since 2021, weekly initial claims have been drifting just slightly above their recent precedent, even after accounting for seasonal adjustment distortions. This isn't really news yet, but traders are watching for signs of a divergence from the typical annual path. Even then, they'll consider the lesson from 2024's summertime spike and not get too carried away based on one data set.

Jobless Claims, Week by Week, Not Seasonally Adjusted

