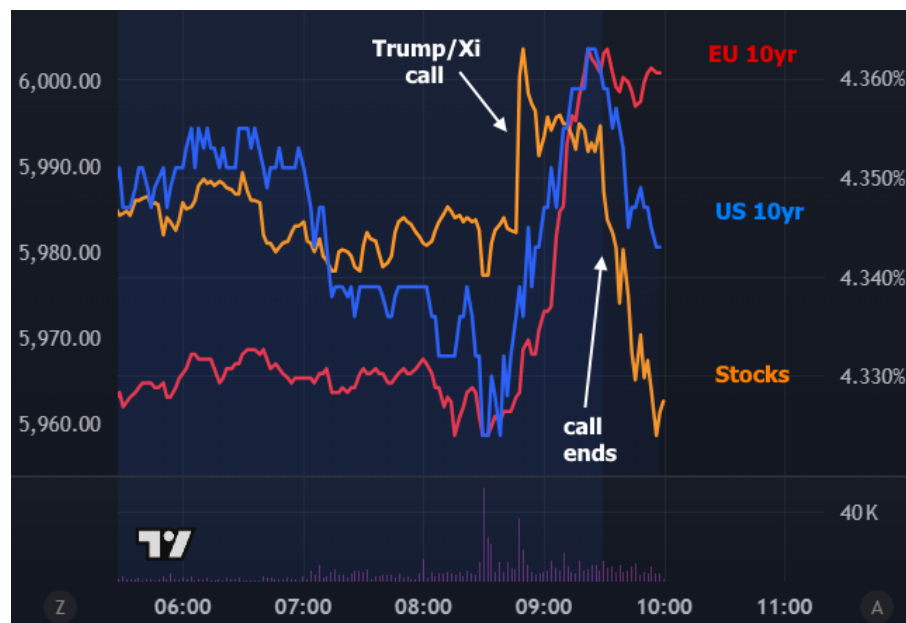


MBS & TREASURY MARKETS

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The Day Ahead: Bumpy Start; Data Overshadowed by Other Events

Bonds began the morning in rally mode, even if not in an extreme way. Gains lasted for about 20 minutes before reversing. The shift was accompanied by slightly elevated volume, indicating a genuine underlying motivation. Fortunately, there are two good candidates to choose from. Unfortunately, it's hard to assign an exact amount of blame/credit to each of them. Based on stock market volatility, the Trump/Xi call is definitely on the radar. Stocks surged on the announcement, and then tanked when the call ended without any additional headlines. The ECB announcement also got attention based on the reaction in the Euro and EU yields. The net effect has been a return to roughly unchanged levels for Treasuries and MBS.



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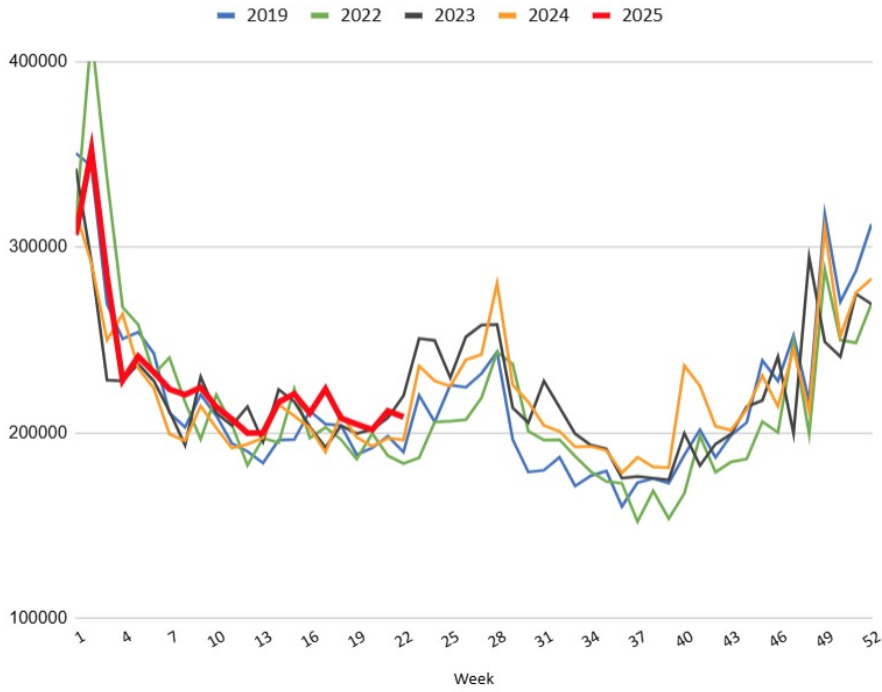
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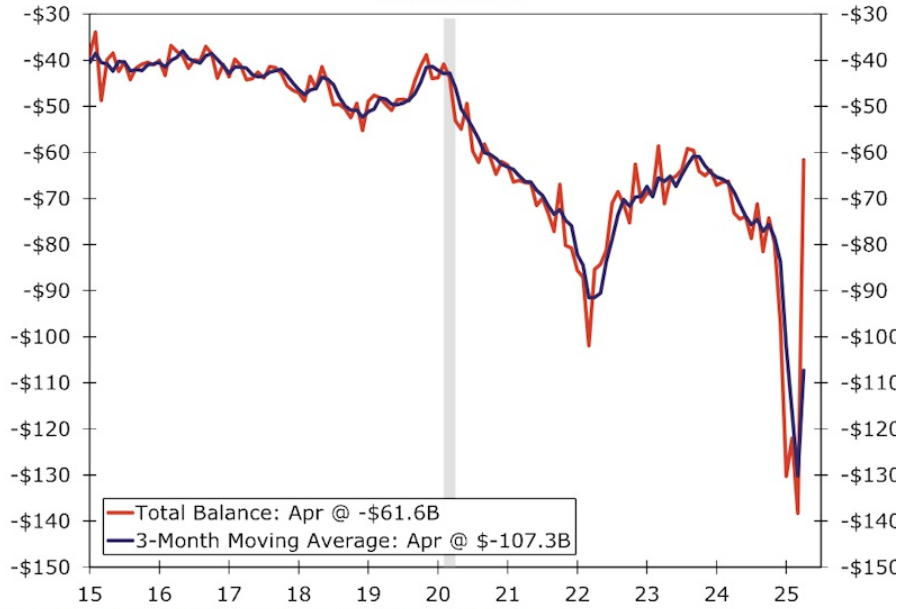


Jobless Claims, Week by Week, Not Seasonally Adjusted



Trade Balance in Goods & Services

Billions of USD



Source: U.S. Department of Commerce and Wells Fargo Economics