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The Day Ahead: Econ Data Not Weak Enough to Help

Bonds were decently stronger in the overnight session, but not for any new, specific reasons. Trading levels have been cutting an increasingly narrow, sideways range. Until that changes, a moderate rally following 2 days of weakness is the least surprising outcome. But that was before the AM data, which featured Retail Sales at -0.9 vs =0.8 f'cast. One would think that's worth more bond buying, but the control group (retail sales excluding autos/gas/building materials) rose to 0.4 vs 0.3 and had a small positive upward revision to last month. We've seen the control group set the tone on several occasions regardless of the headline. With bonds losing some ground after the data, today seems like yet another example.

Gray Buffington

President, HERO
MORTGAGE

heromortgage.com

P: (479) 531-3750

M: (479) 531-3750

240 S Main
Bentonville Arkansas 72712

RMLO 273613
NMLS 1946359

