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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.



Dennis Hughes

Mortgage Broker,
Lend4less Home Loans

Lend4less.com

P: (209) 602-4900

M: (209) 602-4900

dennis@lend4less.com

2209 Hartvickson Lane
Valley Springs CA 95252

Loan Officer NMLS#178729

Company NMLS#2179191

CA Dept of RE Broker 01001409



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