

MBS & TREASURY MARKETS

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UPDATE: Down an Eighth From Highs

Although the initial reaction to data was modestly positive, bonds reversed course in the past few minutes and are now at the weakest levels of the day. Catalysts are scarce and open to debate, but one of the only contenders is news of an imminent SALT agreement in the Senate's spending bill deliberations. This came out around the same time as news that Bessent would the Senate's GOP lunch today, presumably to help get republican hold outs to sign off. The tacit implication of that sign-off is more US Treasury debt issuance, which could explain the bond market weakness here.

10yr yields are up 5bps at 4.286 and MBS are down 6 ticks on the day (0.19) and an eighth of a point from AM highs.

This isn't a reprice risk situation yet, due to timing (most lenders are not yet out with rates for the day).



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