

MBS & TREASURY MARKETS

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The Day Ahead: Bonds Sticking to Predictable Script So Far This Week

Anyone who's spent much time around MBS Live knows about our favorite mantra regarding predictions. Specifically, **they are for suckers**--at least in the context of predicting future interest rate movement. Occasionally, though, there are conditions that result in somewhat reliable patterns or "paths of least resistance."

Any time the bond market has been rallying with regularity--especially when we see several successive days at the lowest yields in many weeks--and then encounters a big data flash point that prompts a sell-off (like last week's jobs report), the path of least resistance is to undergo a bit of a correction. Subsequently, that correction tends to show signs of leveling-off, as we noted yesterday afternoon. From there, the path of least resistance is a broadly sideways range trade as we wait for more meaningful data/events to make a case for a breakout.

Today's supply of such events is still light even though it includes Fed Minutes and a 10yr Treasury auction (we don't see either being up to the task of stoking any sort of large or sustainable momentum).

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