

# MBS & TREASURY MARKETS

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## The Day Ahead: Empty Calendar and Summertime Drift

Any week in early August (before anyone is back to school yet) classifies a "dog days of summer" type of week for the bond market. Movement is more random. Ranges are narrower. And major technical levels are rarely challenged in a significant way. Think of the present week like this. Last Friday saw 10yr yields drop from 4.4 to 4.2. Junior traders could be left with the instruction to sell 4.2 and buy 4.25 in the following week. That's what we saw Monday through Thursday. Now today, yields are creeping up just a bit more amid light volume and light liquidity.



It's not a move that we'd read too much into. In fact, 4.28 had been the only major technical level overhead after bouncing at 4.19 on Mon/Tue. We won't get a good idea of the current state of bond market momentum until next Tuesday's CPI. Bottom line: incidental and inconsequential weakness so far this morning, but still squarely in "victory" territory as far as the past 3 months are concerned.



### Tan & Samantha Tunador

VP | Sr Loan Officer Team,  
Atlantic Coast Mortgage, LLC

[www.TheTunadorGroup.com](http://www.TheTunadorGroup.com)

P: (703) 919-5875

M: (703) 328-0628

[tan@acmllc.com](mailto:tan@acmllc.com)

20365 Exchange Street  
Ashburn Virginia 20147

NMLS ID 1166669

NMLS ID 2408374



### Peter Leonard-Morgan

Associate Broker, Hunt  
Country Sotheby's  
International Realty

[www.peterleonardmorgan.com](http://www.peterleonardmorgan.com)

P: (540) 687-8500

M: (443) 254-5530

[peterleonard-morgan@huntcountersir.com](mailto:peterleonard-morgan@huntcountersir.com)

Middleburg VA

