

MBS & TREASURY MARKETS

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The Day Ahead: Another Slow Start Despite Underlying Drama

Focusing only production MBS coupons and longer-term Treasuries, the bond market is off to another slow, sideways start today with minimal change versus yesterday. With all of this morning's data now reported, we've seen no measurable impact on bonds. The overnight session was a different story but not due to econ data. Rather, bonds responded to Trump's firing of Fed Governor Cook (a process that is more complicated than it sounds) with a steepening of the yield curve (2yr yields moved lower versus 10yr yields). The steepening is consistent with the view that Cook's replacement would be that much more supportive of an aggressive rate cut outlook (2yr Treasuries have more in common with the Fed Funds Rate than 10yr Treasuries). This isn't a major shift in the bigger picture and it remains to be seen how Cook's firing will actually play out.



Steven Fishman

President, Buckeye Lending Solutions, Inc.

Buckeyelends.com

P: (239) 980-7588

M: (440) 773-9941

9990 Coconut Rd # 257
Bonita Springs Ohio / Florida
34135

Company NMLS#1838265 LO
NMLS#9362 OH LO.012547.001

