

# MBS & TREASURY MARKETS

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## The Day Ahead: Back in The Range After Failed Breakout Attempt

Bonds began the week with 10yr at 4.07 before rallying down to 4.04 by Monday's close. Now on Friday, we're opening at 4.06 and we haven't spent much time trading more than a few bps higher or lower than that for the entire week. Translation: apart from yesterday's attempt to challenge the 4.0% floor, it's been very sideways and uneventful. On the topic of the 4.0% floor, market technicians might be reading some significance into the repeated bounces yesterday amid higher volumes. But one need not be a technician to reconcile the mixed econ data and broad uncertainty with an unwillingness to push an already well-developed post-NFP rally. Bonds will wait for the dot plot before considering the possibility of a true range departure (barring unforeseen shocks, as always).



In other news, MBS are outperforming due to dynamics surrounding "the roll" (monthly settlement process that brings a new coupon to the forefront). The chart makes it look like MBS are lower so far today, but when comparing October delivery coupons to themselves, MBS are actually flat instead of weaker (the 2-day chart shows October coupons today and September coupons yesterday).



### Jeffrey Chalmers

Senior Loan Officer,  
Movement Mortgage  
Licensed: CA, FL, MA, ME,  
NH, VT

[ClicknFinance.com](http://ClicknFinance.com)

M: (774) 291-6527

99 Rosewood Dr, Suite 270  
Danvers MA 01923

NMLS #76803

NMLS #39179



### Lisa Biggar, REALTOR®

Buyer & Listing Expert,  
LAER Realty Partners

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

M: (978) 578-0023

[Lisa@LisaBiggar.com](mailto:Lisa@LisaBiggar.com)

40 Park St, Suite 9  
Attleboro MA 02703

MA License #9061998

RI License #RES.0047220

