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The Day Ahead: Overnight Gains on Fed Comments And Japanese Politics (Really)

At the start of the week, we noted Japanese political developments as a key reason for overnight losses on Monday morning. This had to do with Takaichi winning control of Japan's LDP party, thus making her the front runner to become the Prime Minister. Her economic views fueled fears that Japan's central bank would ultimately need to sell Treasuries in order to stabilize currency devaluation. Thus, Treasury yields rose. Now today, another party announced an exit from its coalition with the LDP, thus lowering the odds of the fears that were traded on Monday. Bonds logically rallied in response. Later in the overnight session, a series of comments from Fed's Waller (weak employment, not worried about inflation) added to the gains.

Justin Grable

President of Mortgage Lending, ABLE Mortgage

www.ABEMortgage.com

P: (951) 899-0009

M: (951) 899-0010

justin@ablemortgage.com

41923 Second St.
Temecula CA 92592

NMLS 246763

CADRE 01411989

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