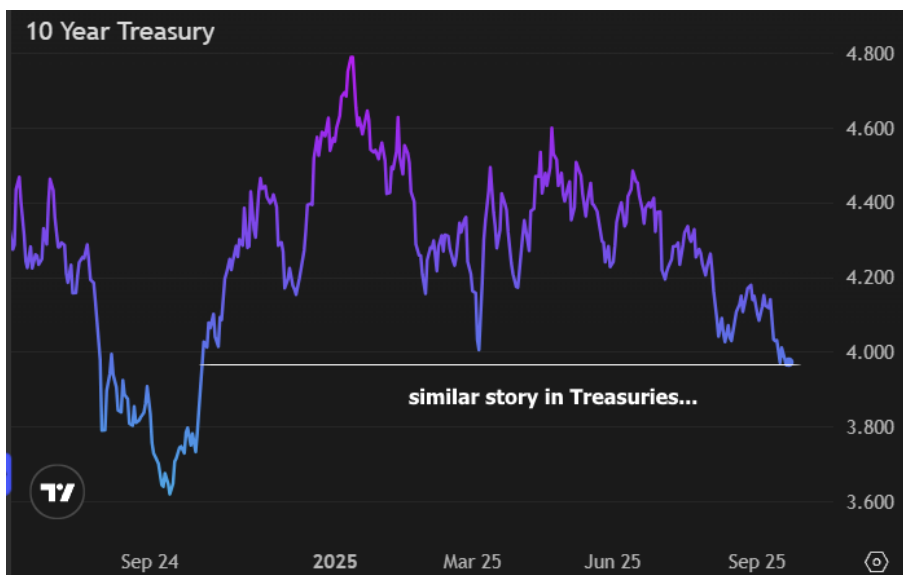


MBS & TREASURY MARKETS

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The Day Ahead: Modest Early Weakness. Was it About Time?

Think back to October 17th. MBS opened slightly weaker and ended the day down about an eighth of a point. That was the last time we had a weaker start, and there are some parallels to today. In both cases, the weakness was modest. In both cases, the previous session closed at the best levels in at least a month. In fact, yesterday's 5.0 MBS prices matched their best close in over a year. We can definitely forgive (and possibly even *expect*) a small pull-back after such a consistent rally. As discussed in yesterday's video, it was beginning to seem like a good moment for broader consolidation.



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





And a bonus chart in light of yesterday's discussion of oil prices... Clearly not a 1:1 correlation, but fans of the oil/Treasury connection could at least say the rebound is not doing us any favors.

