

MBS & TREASURY MARKETS

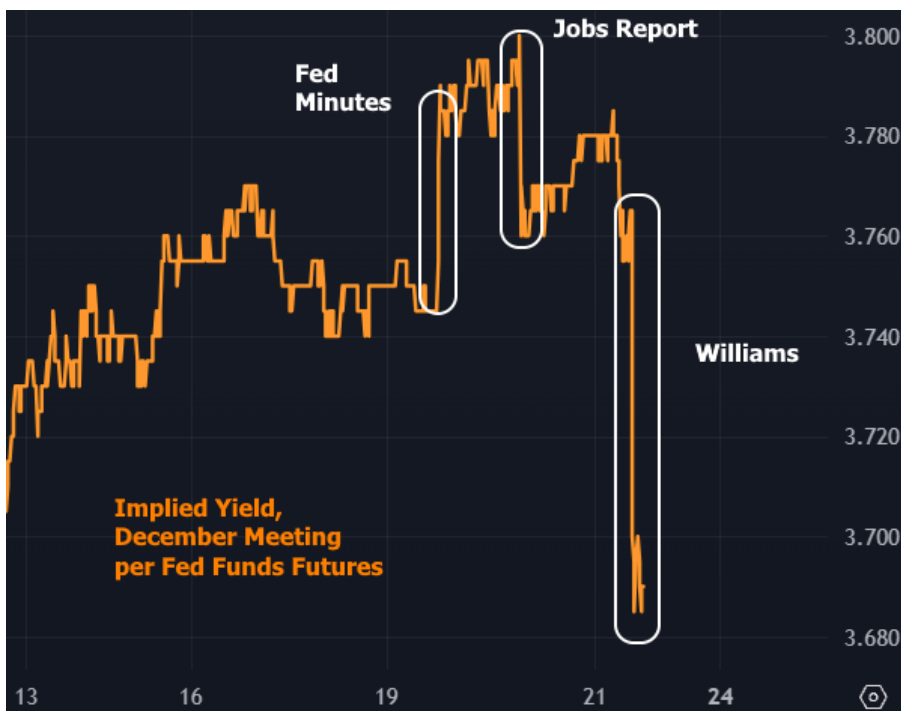
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The Day Ahead: Modestly Stronger With Bonds Tracking Stock Losses

It was a pretty straightforward overnight session with a very high degree of correlation between bond yields and stock prices. The final leg of the rally arrived on comments from NY Fed Pres Williams who said he sees room for a December cut. As a reminder, apart from Powell, Williams is the most important voice at the Fed and his comments carry more predictive weight than others. While the initial reaction was favorable for bonds, it was also favorable stocks--so much so that it put an end to bonds' rally momentum for now.



The relative impacts of recent events on Fed rate cut expectations is even easier to observe in Fed Funds Futures.



John "Demo" Lender

VP of Lending, Demo Mortgage Co.

mbslive.net

P: (704) 555-1212

M: (407) 555-1234

10014 Normal Blvd.
Charlotte NC 28044

NMLS: 123456



Christina "Demo" Realtor

Managing Partner, Real Estate Company, LLC.

mbslive.net

P: (704) 555-1212

M: (980) 555-1212

social+test@mbslive.net

12954 S. Broad St.
Charlotte NC 28031



