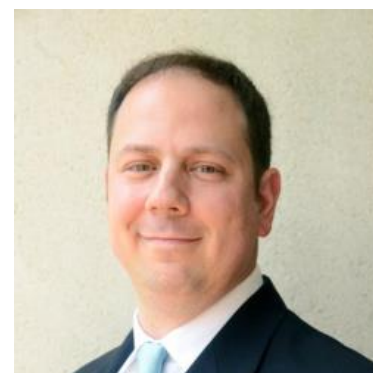


MBS & TREASURY MARKETS

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The Day Ahead: Slow Start, Quiet Calendar

Last week reinforced the lesson anything can happen in the bond market--even with less than an hour left on an otherwise uneventful day. There's no way to plan ahead for that eternal caveat, so we're left to observe prevailing momentum/volatility and simply consider risks on the event calendar. In today's case, bonds are moderately weaker overnight with 10yr yields pushing the upper boundary of the trading range. MBS are outperforming modestly and without any other specific justifications, we will continue to assume a combination of actual and expected GSE purchases. The calendar is effectively silent with only two reports that never have a meaningful impact.



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