

MBS & TREASURY MARKETS

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The Day Ahead: Oil and Yields Starting Out Slightly Lower

Bonds are starting the day just a hair stronger versus yesterday's close and there are three ways to look at it. At the most basic level, the move is so small that it doesn't deserve any explanation (i.e. we're close enough to unchanged to say "nothing new is happening"). But given the recent resurgence of correlation between bonds and oil prices, that's probably today's warm bowl of porridge considering the almost 100% directional alignment overnight.

Jason Brookes

Broker, Grand Avenue
Realty & Lending

www.GrandAveLending.com

P: (562) 233-8564

18293 Imperial Hwy
Yorba Linda California 92886

CADRE 1412977 NMLS 1372327
Loan Factory: OR, ID, UT, TX, TN,
IL, NV, NC



Finally, the most speculative and least defensible view is that bonds are finding technical support at the 4.59 which made our "key levels" list when it served as the stopping point for the biggest day of selling of the past few months on May 15th and was also the closing level on May 16th as well as yesterday's intraday high.

