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The Day Ahead: Weaker Start, But Traders Buying The Dip

Big picture momentum has been calmly but clearly skewed toward higher yields for almost 10 months. There have been a few attempts to bounce at technical ceilings along the way up from 4.0% 10yr yields (4.3%, 4.42%, and 4.75%). August has been mostly sideways near the longer-term highs, but the first two days of this week have set up another challenge of the 4.75% technical ceiling. From a simple "value buying" standpoint, there's always some magical line in the sand where investors will conclude yields are high enough to constitute a good buying opportunity. Over the past several years, this magic ceiling has ranged between 4.7 and 5.0. We've definitely seen some value buying in August for similar reasons, and 4.75% has filled that role so far this morning. Bottom line: bonds are back to unchanged after 10s hit 4.748% before the open. There's no other obvious way to justify the recovery apart from "dip buying."



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



