

MBS & TREASURY MARKETS

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The Day Ahead: Sharply Weaker on Oil and Econ Data

Bonds lost ground overnight with rising oil prices correlating very well with the higher yields. The selling was minimal and yields remained range bound until roughly 945am ET. While there was slight additional pressure from another little pop in oil prices, the main bad actor was a surprisingly strong reading in S&P PMI data. This series typically goes unnoticed unless it wildly beats/misses forecasts. This morning's results were on the wild side with both services and manufacturing hitting the highest levels in years. Bonds reacted immediately with 10yr yields jumping from 5.0% to over 5.04% almost instantly. Fed Funds futures lurched to price in even stronger odds of a second rate hike at the next meeting and 2 hikes by December (over a 50% chance now).



Craig O'Neil

Senior Loan Officer, United American Mortgage Corp

www.oneilteamhomelending.com

P: (858) 243-4442

coneil@uamco.com

2305 Historic Decatur Rd. #100
San Diego CA 92106

NMLS858644

DRE 01858739



