

MBS & TREASURY MARKETS

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The Day Ahead: No Love From October So Far, But The Day's Not Over

Sometimes we see a distinct shift in momentum on the first day of a new month. This is not one of those times. October 1st picks up where September 30th left off with more yield curve steepening (2yr and 10yr yield getting farther apart). This is a reflection of the sudden shift in economic data expectations last Wednesday combined with the fact that the Fed rate hike outlook has been broadly flat after Wednesday's pop. It's still anyone's game as far as today goes. 10s and MBS are moderately weaker while the 2yr is almost 5bps lower (anchored to those now-resilient Fed Funds Futures). Stronger ISM components (orders, backlogs, prices) caused an initial pop in yields, but we've already recovered 20 minutes later.



Jeffrey Chalmers

Senior Loan Officer,
Movement Mortgage
Licensed: CA, FL, MA, ME,
NH, VT

www.ClicknFinance.com

P: (877) 562-6811

M: (774) 291-6527

jeffrey.chalmers@movement.com

99 Rosewood Dr, Suite 270
Danvers MA 01923

NMLS #76803

NMLS #39179



Ashley Gendreau

Buyer & Listing Expert,
LAER Realty Partners

www.AshleyGendreau.com

P: (603) 685-4495

M: (603) 361-0561

agendreau@laerrealty.com

173 Chelmsford Street
Chelmsford MA 01824

MA License #9579621

NH License #074016

