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# The Day Ahead: The Open and Possibly The Close

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We are occasionally asked why we are currently focusing on the 6.0 MBS coupon rather than the 6.5, as the 6.0 only covers rates of 6.25 through 7.125%. Rather than get into a dissertation on why we're right and others are wrong, he's a handy proof: as of 9:04am ET this morning, there have been zero trades in 6.5 coupons compared to more than 10 trades in 6.0 coupons. 10 is a low number for this time of day because the Friday after Thanksgiving is usually one of the least liquid days of the year. So why does the bond market open at all? In a nutshell, SIFMA concluded that global financial markets need the maximum feasible amount of Treasury liquidity for smooth functioning. This press release from 2009 goes into a bit more detail.

Bonds are moderately weaker this morning in a move that perfectly mirrors a recovery in the stock market. Current trading levels are still better than Tuesday's closing levels and that was the last time we'd characterize liquidity as being closer to normal. In other words, Wednesday and today (and the upcoming Monday, for that matter) can be largely dismissed as the product of illiquidity-driven volatility. We'll get a cleaner read on where we stand next Tuesday.

As is the MBS Live custom, today's opening commentary will very likely also be the closing commentary unless something tremendously interesting happens.

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