

MBS & TREASURY MARKETS

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MBS Recap: Powell Confirms What The Bond Market Already Knew

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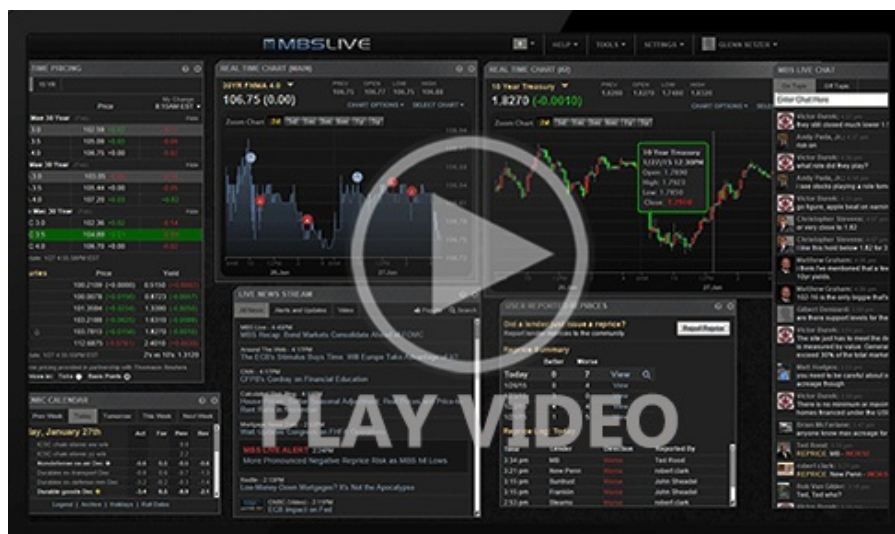
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Powell Confirms What The Bond Market Already Knew

MBS Recap | Matthew Graham | 4:53 PM

Morning hours were frustrating for the bond market as we watched yields move to new multi-month highs for no obvious reason. That said, the notion of a "re-pricing" sell-off doesn't really require new obvious reasons (because the obvious reasons from the recent past created momentum that isn't traded all in one go). If we feel compelled to blame some data, Industrial Production (specifically, the upward revision to last month) is the only game in town). The better bet may be to infer some anxiety ahead of an afternoon speech from Powell confirmed that recent data shows a lack of progress on inflation. He went so far as to say there's uncertainty over whether there will even be a rate cut in 2024. The absence of any major market reaction suggests traders weren't too surprised.



Watch the Video

Alert

9:27 AM Weaker Overnight and More Selling Just Now

11:25 AM More Losses. When Will Buyers Be Enticed?

Alert

1:34 PM Negative Reprice Risk For Some Lenders as Powell Speaks

Econ Data / Events

- ○ Housing Starts
 - 1.321m vs 1.48m f'cast, 1.549m prev
- Building Permits
 - 1.458m vs 1.514m f'cast, 1.523m prev

Market Movement Recap

- 08:48 AM Modestly weaker overnight and little-changed after data. MBS down an eighth. 10yr up 4bps at 4.645.
- 09:41 AM Additional weakness in the 9am hour. No obvious catalyst. MBS down almost 3/8ths. 10yr up 8 bps at 4.684.
- 11:15 AM Nice little bounce back but still weaker on the day. MBS down 6 ticks (.19) and 10yr up 5bps at 4.652
- 02:08 PM Some volatility surrounding Powell, but mostly back to pre-Powell levels. MBS down 9 ticks (-.28) and 10yr up 4.5bps at 4.649.

Lock / Float Considerations

- Monday's bond market rout emphasized the point of waiting for more compelling evidence of support before considering anything but locking.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
 - 4.80
 - 4.65

- Floor/Resistance

- 4.23
- 4.32
- 4.37
- 4.49
- 4.57

MBS & Treasury Markets

MBS

30YR UMBS 6.0
30YR UMBS 6.5
30YR GNMA 6.0
15YR UMBS-15 5.0

US Treasuries

10 YR	4.670%	+0.066%
2 YR	4.986%	+0.066%
30 YR	4.767%	+0.047%
5 YR	4.701%	+0.081%

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