MBS Recap: Too Soon to Say Higher Yields Are Bringing Buyers?

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Too Soon to Say Higher Yields Are Bringing Buyers?

MBS Recap Matthew Graham | 4:31 PM

Bonds enjoyed their best day in more than a month and a half on Wednesday, which can't help but beg the question: why? Days like today require a process of elimination and some guesswork. We don't have a big, obvious market mover in play in terms of economic data or headlines. Moving down the list of usual suspects, any time bonds have been as consistently weak as they have been recently, we can talk about "dip buying" (as in traders buying the dip in prices) as well as short covering (traders buying bonds to cover previous bets on higher rates). Additionally, we can consider the stock market in the midst of it's biggest correction since last October and the possibility that some of that stock selling may be turning into bond buying. Either way, the important consideration is that this is only one day and not necessarily a sign of anything new as much as it's a byproduct of things that have already happened.



Watch the Video

Update

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9:41 AM Nice Little AM Rally

MBS Morning

11:16 AM Token Bounce

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

09:41 AM 10s are down 4.5bps at 4.623. MBS are up roughly a quarter point.

12:34 PM brief weakness into the 10am hour, but stronger since then. MBS up almost 3/8ths and 10yr down 6.5bps at 4.604

01:49 PM well received 20yr bond auction followed by the best levels of the day. MBS up 13 ticks (.41) and 10yr down 8.4bps at 4.585.

Lock / Float Considerations

- Wednesday brought the week's first gains and they were big enough to beg the question of whether we're seeing some supportive undertones. A single day is never enough to reach such conclusions--especially not without the benefit of a compelling source of fundamental motivation.

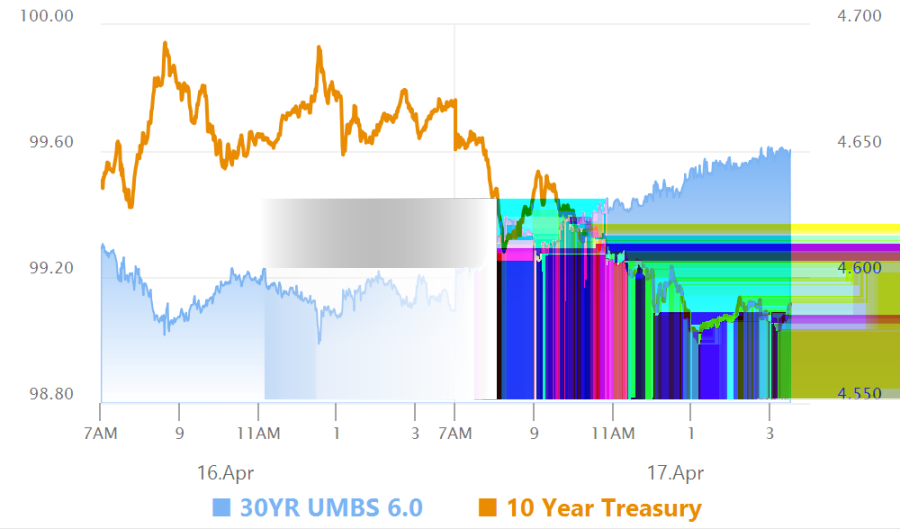
Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
  - 4.80
  - 4.65
- Floor/Resistance
  - 4.23
  - 4.32
  - 4.37
  - 4.49

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- 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	4.590%	-0.078%
2 YR	4.933%	-0.055%
30 YR	4.703%	-0.062%
5 YR	4.617%	-0.084%

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