

MBS & TREASURY MARKETS

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MBS Recap: Sometimes Sideways is The Best Case Scenario



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Sometimes Sideways is The Best Case Scenario

MBS Recap Matthew Graham | 4:31 PM

Granted, there was a possibility that today could have been a rally day for the bond market, but as seen in the overnight trading session, that possibility depended on the escalation of war in the Middle East. There aren't many other reasons for bonds to push back too much on recent weakness. One of the only other reasons would be Friday position squaring and short covering, but that would be just as much of an indication of ongoing bearishness in bonds. In that sense, holding sideways is possibly the best victory we could have hoped for today. The fact that we've avoided Tuesday's high yields through the end of the week could even signal sideways vibes until May, at which point data and the Fed will let us know the direction of the next big move.





Watch the Video

MBS Morning

10:06 AM Gradually Pulling Back From Flight to Safety Bid Overnight

Market Movement Recap

- 09:38 AM Initially stronger overnight, but giving up gains since then. 10yr down 1.7bps at 4.609. MBS up 1 tick (.03).
- 10:27 AM 10yr all the way back to unchanged at 4.627. MBS down 2 ticks (.06)
- 02:02 PM Broadly sideways and choppy, but currently unchanged in MBS and 10yr.
- 04:27 PM Still sideways. MBS up 1 tick (0.03) and 10yr down half a bp at 4.622

Lock / Float Considerations

- Once again, yields avoided Tuesday's ceilings and this time by an even healthier margin. These are the kinds of subtle context clues that make risk takers hopeful that we've seen a temporary ceiling until getting stronger cues from the early May data. The caution to those floaters is that it's hard to make a case for any significant improvement until and unless that data comes in friendly.

Technicals/Trends in 10yr (why 10yr)

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

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	4.624%	-0.003%
2 YR	4.987%	-0.003%
30 YR	4.715%	-0.017%
5 YR	4.673%	-0.004%

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