# MBS & TREASURY MARKETS

Daily Coverage. Industry Leading Perspective.

# MBS Recap: Uneventfully Weaker Regardless of Durable Goods Data



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## Uneventfully Weaker Regardless of Durable Goods Data

MBS Recap Matthew Graham | 4:42 PM

Bonds were weaker in the overnight session on a combination of anxiety over potential sales of US Treasuries in Japan and European economic data. The domestic session brought actual selling of US Treasuries in the form of the 5yr Treasury auction, but the market already knew about that one. The auction was reasonably well received and had no impact on trading levels. Earlier in the morning, Durable Goods came out right in line with expectations and also had essentially no impact. Overnight weakness was maintained throughout the day with most of the momentum being sideways near recent highs yields.

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#### Update

9:05 AM Overnight Weakness Remains After Durable Goods Data

#### **MBS Morning**

10:31 AM The Other Side of Sideways

Econ Data / Events

- • Durable Goods
  - 2.6 vs 2.5 f'cast
  - Iast month revised from 1.3 to 0.7
  - Durables, excluding defense and aircraft
    - 0.2 vs 0.2 f'cast
    - Iast month revised from 0.7 to 0.4

#### **Market Movement Recap**

- 09:06 AM Weaker overnight and little-changed after AM econ data. 10yr yield up 4.1bps at 4.644. MBS down 6 ticks (.19).
- 10:51 AM Weakest levels. MBS down 7 ticks (.22) and 10yr up 5.6bps at 4.657
- 01:04 PM Boring 5yr auction. No major reaction. MBS down 5 ticks (.16). 10yr up 4.8bps at 4.649.
- 03:55 PM Roughly unchanged from the last update and mostly flat since the late AM hours.

#### Lock / Float Considerations

Another day in the prevailing sideways grind keeps the prevailing assessment intact: lower risk, lower reward, and a baseline outlook for momentum to remain more sideways than directional until next week's data/events. After several days spent thinking of 4.65% as a welcome ceiling following April's uptrend, it's now just as valid to think of 4.57% as a floor until further notice.

### 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	4.646%	+0.045%				
2 YR	4.930%	+0.006%				
30 YR	4.777%	+0.048%				
5 YR	4.660%	+0.030%				

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