

MBS & TREASURY MARKETS

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MBS Recap: Uneventful Start to What May be an Uneventful Week



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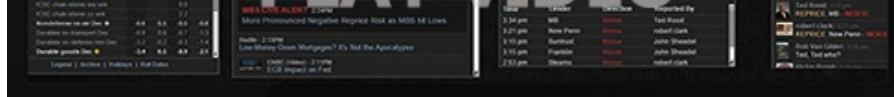


Uneventful Start to What May be an Uneventful Week

MBS Recap | Matthew Graham | 4:56 PM

Without any big ticket events or major news headlines, it was no surprise to see bonds bounce around in a narrower sideways range. Data-free Mondays are often superfluous when it comes to informing the big picture and today was no exception. It might have been even narrower if not for holiday closures in the overnight session (lower volume and lighter liquidity can increase volatility, all other things being equal). MBS underperformed Treasuries in a small but obvious way (MBS lost ground while Treasuries improved), but we're not reading much into that just yet. This week's only hope for inspiration is the Treasury auction cycle--at least in terms of scheduled events--and that means we're probably waiting for May 15th CPI for the next big dose of volatility.





Watch the Video

MBS Morning

11:09 AM Everything is a Sideshow Until May 15th

Alert

11:15 AM Down Nearly a Quarter Point From Highs

Market Movement Recap

- 09:53 AM Slightly stronger at the open, but backtracking in the past hour. MBS up 1 tick (.03). 10yr down 1.1bps at 4.503.
- 11:09 AM Weakest levels of the morning with MBS down 1 tick (.03) and 10yr up only half a bp at 4.509.
- 02:56 PM MBS underperforming, still at weakest levels, down 2 ticks (.06). 10yr down 2.3bps at 4.489

Lock / Float Considerations

- Lower risk and lower reward now that bonds have slid into a lower consequence week. The calendar is very light and next week's CPI looms large as a huge potential win or loss (something that should keep bulls and bears from getting too excited in the meantime). Defensive clients are considering the nice rate sheet improvements over the past 4 days. Combined with the more sideways outlook, it presents a logical opportunity to circle the wagons. Risk-tolerant clients are waiting for bonds to do something more threatening before taking chips off the table.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
 - o 4.80
 - o 4.65
 - o 4.57
- Floor/Resistance
 - o 4.23
 - o 4.35
 - 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	4.485%	-0.028%
2 YR	4.830%	+0.010%
30 YR	4.635%	-0.036%
5 YR	4.484%	-0.019%

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