

# MBS & TREASURY MARKETS

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## MBS Recap: Bonds Ready to go Big in Either Direction



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## Bonds Ready to go Big in Either Direction

**MBS Recap** Matthew Graham | 4:44 PM

If you only had 1 day per month to allocate to watching the bond market and getting a sense of rate momentum, Wednesday, May 15th would be that day. Last month would have been April 10th. And here's the rest of the list: [https://www.bls.gov/schedule/news\\_release/cpi.htm](https://www.bls.gov/schedule/news_release/cpi.htm). In other words, it has been and continues to be all about CPI. Today's PPI appetizer left the bond market hungry for the main course. A big miss was offset by revisions and a favorable distribution of internal components. Wednesday is anyone's guess in terms of directionality. All we know is that the size of the potential reaction is as big as it gets when it comes to scheduled economic data.



Watch the Video

## Alert

8:35 AM Producer Prices Surge (And So Do Yields)

## MBS Morning

9:04 AM Big Miss in PPI Making For an Interesting Morning

## Econ Data / Events

- ○ Core m/m PPI
  - 0.5 vs 0.2 f'cast
  - last month revised to -0.1 from +0.2
- Annual core PPI
  - 2.4 vs 2.4 f'cast/prev

## Market Movement Recap

- 08:40 AM Inconsequential strength ahead of PPI data. Initially weaker after the data, but recovering now. 10yr down 0.4bps at 4.485. MBS up 1 tick (.03).
- 10:12 AM Additional strength at 9pm after OPEC headlines and fairly flat since then. 10yr down 2.6bps at 4.463. MBS up 3 ticks (.09).
- 02:51 PM Slow, steady gains all day. MBS up 6 ticks (.19) and 10yr down 4.4bps at 4.445

## Lock / Float Considerations

- Coin flips and rolls of the dice don't get much bigger than Tuesday afternoon. There's no way to know which way things will go on Wednesday morning, only that the risk of a big move is higher than any other trading day of the month AND that the potential size of that move is also as high as it gets in response to economic data or other scheduled events.

## 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	4.445%	-0.044%
2 YR	4.819%	-0.048%
30 YR	4.591%	-0.044%
5 YR	4.459%	-0.041%

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