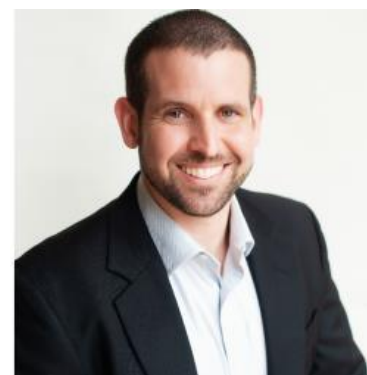


MBS & TREASURY MARKETS

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MBS Recap: Gradual Weakness All Day And a Quieter Calendar Ahead

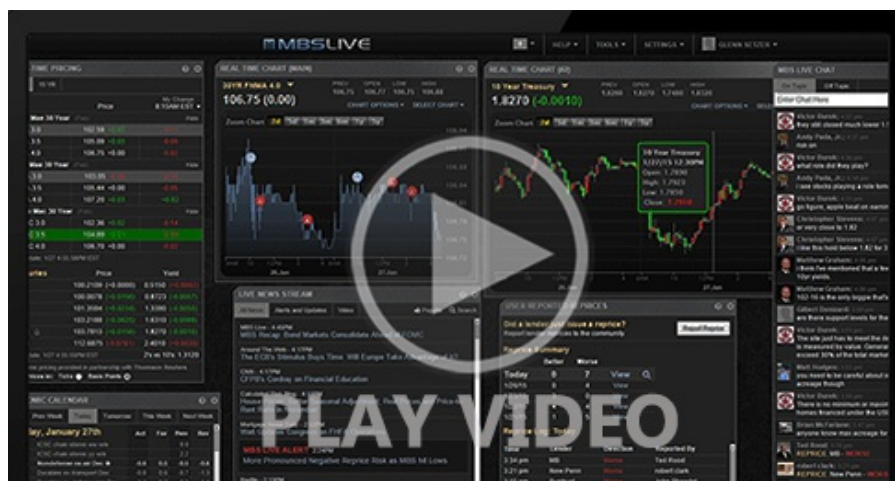


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Gradual Weakness All Day And a Quieter Calendar Ahead

MBS Recap | Matthew Graham | 4:58 PM

Today brought the last of the scheduled economic data until the end of next week. Even then, the data won't be too relevant for at least 2 weeks when the next PCE price index comes out. Ironically, we've always considered Import Price data to be in the "not too relevant" category, but it appears to have challenged that notion today, thanks in large part to the massive gap versus expectations (0.9 vs 0.3). With that, a number usually disregarded as noise was suddenly worth a small bump in forecast for PCE. Initial weakness was modest and it leveled off quickly, but the rest of the day saw a slow, directional leak that left MBS down a quarter point.



Watch the Video

Update

8:35 AM Modestly Weaker After AM Econ Data

MBS Morning

12:02 PM Back to Boring

Alert

12:43 PM MBS Down Just Over an Eighth Since 9am

Alert

2:28 PM Negative Reprices Becoming More Likely

Econ Data / Events

- ○ Jobless Claims
 - 222k vs 220k f'cast, 232k prev
- Philly Fed Index
 - 4.5 vs 8.0 f'cast, 15.5 prev
- Import Prices
 - 0.9 vs 0.3 f'cast, 0.6 prev
- Building Permits
 - 1.44m vs 1.48m f'cast, 1.467m prev
- Housing Starts
 - 1.36m vs 1.42m f'cast, 1.287m prev
- Industrial Production
 - 0.0 vs 0.1 f'cast, 0.1 prev

Market Movement Recap

- 08:35 AM modest losses after data. 10yr still down 0.2 bps on the day at 4.339 and MBS down 2 ticks (.06).
- 11:01 AM MBS right in line with previous update (down 2 ticks or 0.06) but 10yr now up 1.8bps at 4.358.
- 02:33 PM Additional weakness now with MBS down roughly a quarter point on the day and 10yr up 3.6bps at 4.376

Lock / Float Considerations

- Thursday's bond market offered the opposite cue from Wednesday, which builds a case for consolidation as opposed to latent buying demand. Neither case was/is particularly strong, so take it all with a grain of salt. The base case is for an absence of any big, directional impulse from data or Fed-speak until the first week of June. Risk-averse clients would be feeling even more lock-biased today. Risk tolerant clients would increasingly consider the resistance at 4.34% in 10yr yields combined with a lack of market movers on the near-term calendar.

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	4.376%	+0.035%
2 YR	4.795%	+0.065%
30 YR	4.515%	+0.008%
5 YR	4.400%	+0.057%

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