

MBS & TREASURY MARKETS

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MBS Recap: Straightforward Session as Traders Wait For More



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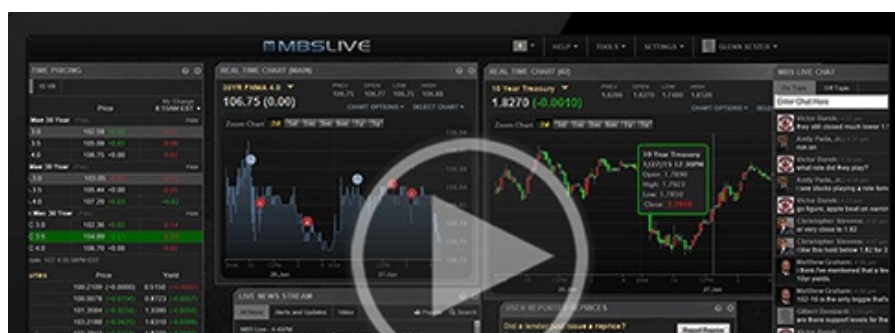
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Straightforward Session as Traders Wait For More

MBS Recap | Matthew Graham | 3:24 PM

Monday ended up being rather uneventful for the bond despite its role as the lead-off hitter for an all-star line-up. There were no significant economic reports on tap, but the 3yr Treasury auction managed to come in weak enough to prompt a bit of additional selling. Losses were short-lived and trading levels returned to pre-auction levels about 90 minutes later. That left a sideways-to-modestly-weaker tone intact for the day as traders wait for ultra-high consequence data and events on Wednesday.





Watch the Video

MBS Morning

10:55 AM Slow Start to a Week That Could be Anything But

Alert

1:36 PM Modest Additional Weakness After 3yr Auction

Market Movement Recap

- 09:58 AM modestly weaker overnight and little-changed since then. MBS down 3 ticks (.09) and 10yr up 1.5bps at 4.476
- 01:40 PM a bit weaker after 3yr Treasury auction. 10yr up 2.8bps in total on the day at 4.489. MBS are down an eighth of a point in 6.0 coupons
- 03:20 PM Recovering some of the post-auction weakness now. MBS down 3 ticks (.09) and 10yr up 1.9bps at 4.48

Lock / Float Considerations

- As feared, the bond market was not completely impervious to strong economic data, as seen after Friday's jobs report. With Treasury auctions on a condensed schedule this week and significant event risk from CPI and the Fed, we'd operate on the assumption that the risk-aversion pendulum will swing the other way until we get through Wednesday. In other words, both risk-tolerant and risk-averse clients would be lock biased right now. Floating is for moon shooters only (glorious when it pays off, but not a high probability shot).

Technical/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
 - o 4.80
 - o 4.65
 - o 4.57

- Floor/Resistance

- 4.23
- 4.35
- 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 | 4.467% | +0.032% |
| 2 YR | 4.882% | -0.007% |
| 30 YR | 4.594% | +0.038% |
| 5 YR | 4.480% | +0.019% |

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