

# MBS & TREASURY MARKETS

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## MBS Recap: Straightforward Session as Traders Wait For More



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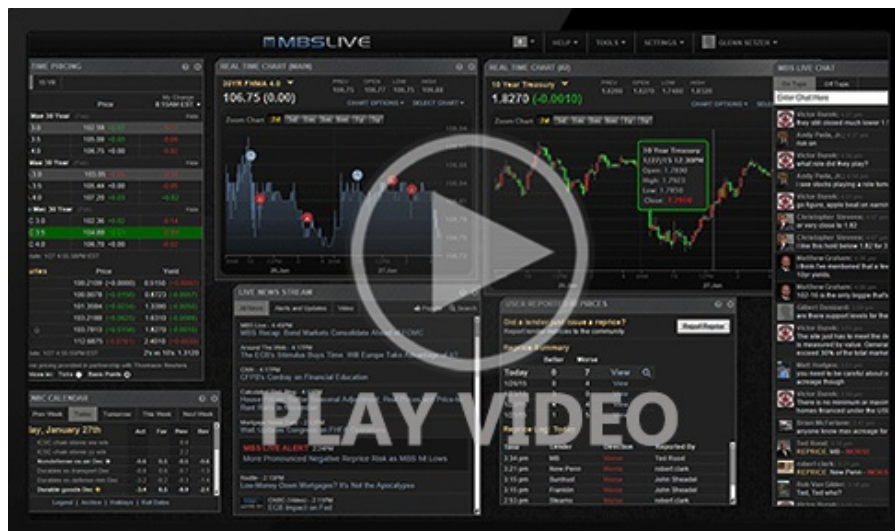
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## Straightforward Session as Traders Wait For More

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

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).

## 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	4.467%	+0.032%
2 YR	4.882%	-0.007%
30 YR	4.594%	+0.038%
5 YR	4.480%	+0.019%

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