# MBS & TREASURY MARKETS

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## MBS Recap: Treasury Auction Helps Bonds Hold The Range

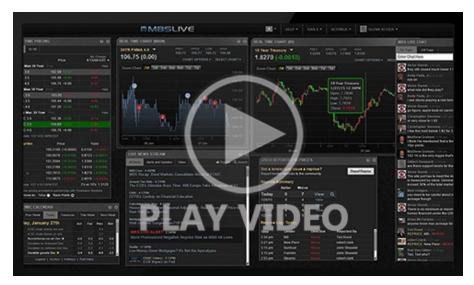


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### Treasury Auction Helps Bonds Hold The Range

MBS Recap Matthew Graham | 3:52 PM

If yesterday was a placeholder ahead of bigger ticket events, and if those bigger ticket events arrive on Wednesday, then Tuesday couldn't possibly be anything other than a placeholder as well. That said, it was a more interesting placeholder with some friendly volatility delivered by a strong showing at the 10yr Treasury auction. In some regard, the bond market's willingness to bid aggressively at this auction (with CPI and the Fed coming up the following morning) might confirm something about the underlying bullish predisposition discussed last week. But then, as now, the catch is that a bullish predisposition still requires confirmation in the data. On that note, all eyes on Wednesday's CPI.



Watch the Video

#### **MBS Morning**

10:20 AM Considering The French Connection as We Wait For Real Market Movers

#### Aler

12:30 PM Weakest Levels of The Day Ahead of Treasury Auction

#### Update

1:08 PM Solid Improvement After Strong 10yr Treasury Auction

#### Econ Data / Events

- o 10yr Treasury auction
  - 4.438 vs 4.458 expectations
  - bid to cover
    - 2.67 vs 2.49 avg

#### **Market Movement Recap**

- 10:08 AM Stronger overnight with a modest pull-back around 9am. 10yr down 3.2bps at 4.451. MBS up an eighth of a point.
- 12:31 PM Weakest levels of the day ahead of Treasury auction. MBS unchanged and 10yr down 2bps at 4.463.
- O1:03 PM Solid gains after 10yr Treasury auction. 10yr down 5.2bps at 4.434. MBS up an eighth in 6.0 coupons.
- O3:13 PM
  Best levels of the day for Treasuries with 10yr down 7bps at 4.414. MBS are nearly back to opening highs, up 6 ticks (.19).

#### **Lock / Float Considerations**

Wednesday's CPI is the quintessential high-risk/high-reward event for interest rate momentum. The presence of the Fed announcement (and dot plot) in the afternoon only add to the potential for volatility. As always, there is no way to know whether any of the above is more likely to be good or bad for interest rates. There is plenty of room to run in either direction depending on the outcome of the data.

### Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
  - 0 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	4.398%	-0.064%
2 YR	4.828%	-0.053%
30 YR	4.533%	-0.064%
5 YR	4.413%	-0.070%

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