

MBS & TREASURY MARKETS

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MBS Recap: Decent 2yr Auction, But No Major Inspiration For Bonds



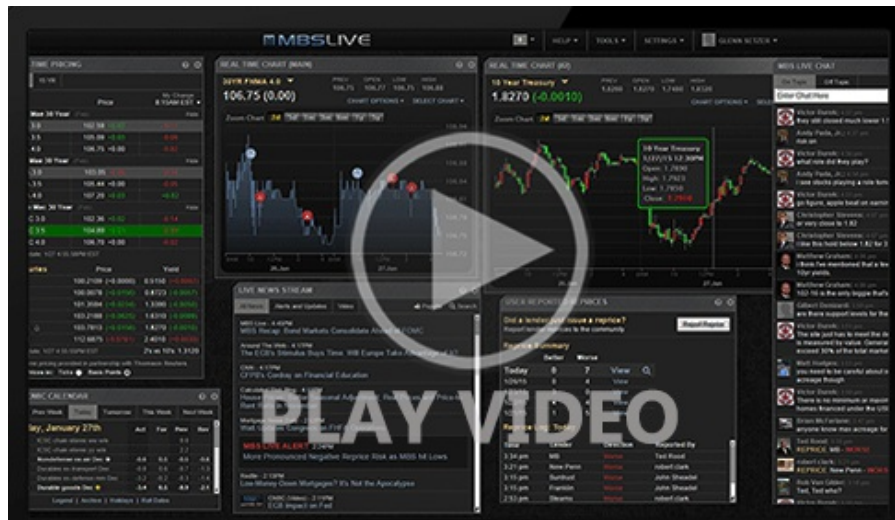
Matt Graham
Founder and CEO, MBS Live



Decent 2yr Auction, But No Major Inspiration For Bonds

MBS Recap | Matthew Graham | 3:06 PM

We've increasingly revisited the concept of the "inside day" recently and with 2 days down, we could actually shift gears and to an "inside week." In other words, both yesterday and today's trading ranges can be easily contained inside the trading range established last week. In fact, everything fits in last Tuesday's range, and we'd have to go back yet another week (to CPI/Fed week) to see any actual volatility. That's not a bad thing. It's just a thing. It will change eventually, but it didn't change today. The biggest market mover was Canadian CPI of all things--something we basically never watch or mention, but those are the lengths one must go to on inside weeks. Tomorrow's 5yr Treasury auction could be a bigger player than today's 2yr although the latter did help bonds hold the line without losing more ground.



Update

8:39 AM Some Weakness After Econ Data

Alert

12:04 PM Weakest Levels of The Day, just barely

Econ Data / Events

- ○ Philly Fed Non-Manufacturing Index
 - 15.1 vs 7.3 previously
- Canada CPI
 - 0.6 vs 0.2 month over month
- Case Shiller Home Prices
 - 1.4 vs 1.6 prev
- FHFA Home prices
 - 0.2 vs 0.3 fcast, 0.1 prev
- Consumer Confidence
 - 100.4 vs 100.0 fcast, 101.3 prev

Market Movement Recap

- 08:25 AM Modestly stronger overnight. MBS up 2 ticks (.06) and 10yr down 2bps at 4.212
- 08:51 AM Some weakness after data. MBS down 1 tick and 10yr up 1.2 bps at 4.244
- 10:42 AM Off the weakest levels. 10yr up just under 1bp at 4.24 and MBS down only 1 tick (.03)
- 02:05 PM Modest bounce back after 2yr auction, but still in negative territory. MBS down 2 ticks (.06) and 10yr up 0.8bps at 4.241
- 03:05 PM Slightly stronger in Treasuries with 10yr now unchanged at 4.234. MBS still down 2 ticks (.06).

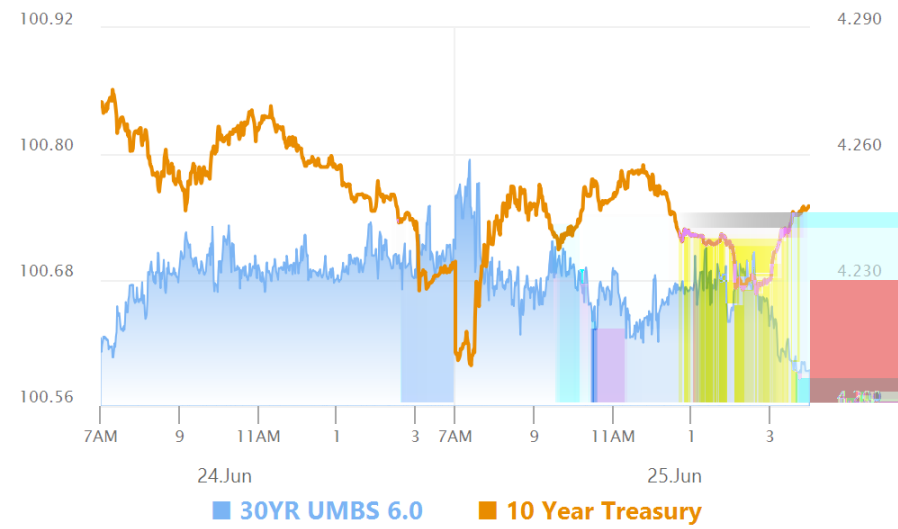
Lock / Float Considerations

- This week's Treasury auction cycle and the implied technical resistance seen near 4.20% in 10yr yields make a case for a more risk-averse approach. Risk takers are liking the technical support seen at 4.29% last week and/or 4.27% over the past 2 sessions. All of the above is very "small picture." Big picture changes depend on additional, friendly inflation prints as well as a bit of cooling in other big ticket economic data.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
 - o 4.57
 - o 4.49
 - o 4.35
 - o 4.30
- Floor/Resistance
 - o 4.07
 - o 4.19

MBS & Treasury Markets



MBS

30YR UMBS 5.5	
30YR UMBS 6.0	
30YR GNMA 5.5	+
15YR UMBS-15 5.0	

US Treasuries

10 YR	4.232%	-0.001%
2 YR	4.732%	+0.008%
30 YR	4.361%	-0.003%

5 YR

4.259%

+0.004%

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