

MBS & TREASURY MARKETS

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MBS Recap: Back in The Range Without Needing Too Much Convincing



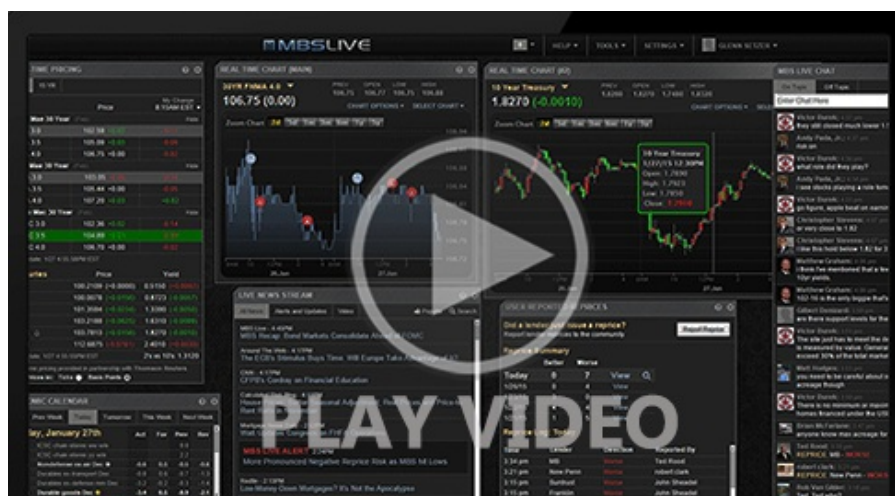
Julian Hebron
Founder, The Basis Point
<https://thebasispoint.com/>
San Francisco CA



Back in The Range Without Needing Too Much Convincing

MBS Recap | Matthew Graham | 4:31 PM

Unlike yesterday, the overnight session sent bonds into domestic hours at perfectly unchanged levels. Almost all of the movement happened after the 8:30am econ data. Connecting the data to the movement takes a bit of creativity and quite a bit of sorting. We can immediately throw out the Q1 GDP data as being too stale to be relevant at this point. That leaves Durable Goods (negative revision and big miss for nondefense, ex-air) and Continuing Jobless Claims as leading contenders. Both may have contributed, but it's hard to say which contributed more. Either way, bonds rallied into the 10am hour and went sideways from there.



Update

8:42 AM Bonds Rallying Modestly After Mixed Data

MBS Morning

10:10 AM Back in The Range Without Needing Too Much Convincing

Econ Data / Events

- ○ Jobless Claims
 - 233k vs 236k f'cast, 239k prev
- Continued Claims
 - 1839k vs 1820k f'cast, 1821k prev
- Durable Goods
 - 0.1 vs -0.1 f'cast
 - last month revised down to 0.2 from 0.7
- Core Durables
 - -0.6 vs 0.1 f'cast, 0.3 prev
- Final Core PCE Prices Q1 (ancient history)
 - 3.7 vs 3.6 f'cast
- Final GDP
 - 1.4 vs 1.4 f'cast/prev
- Corp Profits
 - -2.7 vs -1.7 f'cast

Market Movement Recap

- 08:43 AM Slightly stronger after AM data. 10yr down 3bps at 4.299. MBS up an eighth.
- 01:05 PM Little changed after the 7yr auction. MBS up 5 ticks (.16) and 10yr down 5bps at 4.279
- 04:16 PM MBS near strongest levels, up 7 ticks (.22). 10yr yields trading just under 4.29.

Lock / Float Considerations

- 4.29% is back in action as a technical ceiling, but just barely. It's really not of much use anymore as Friday's direction is more likely to be determined by the PCE data. Flip a coin in the short term. Longer-term remains cautiously optimistic pending cooperation from early July data.

Technical/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	4.287%	-0.043%
2 YR	4.712%	-0.039%
30 YR	4.426%	-0.049%

5 YR

4.300%

-0.045%

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