

MBS & TREASURY MARKETS

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MBS Recap: What to Make of Week's Weakest Levels After Solid PCE Data



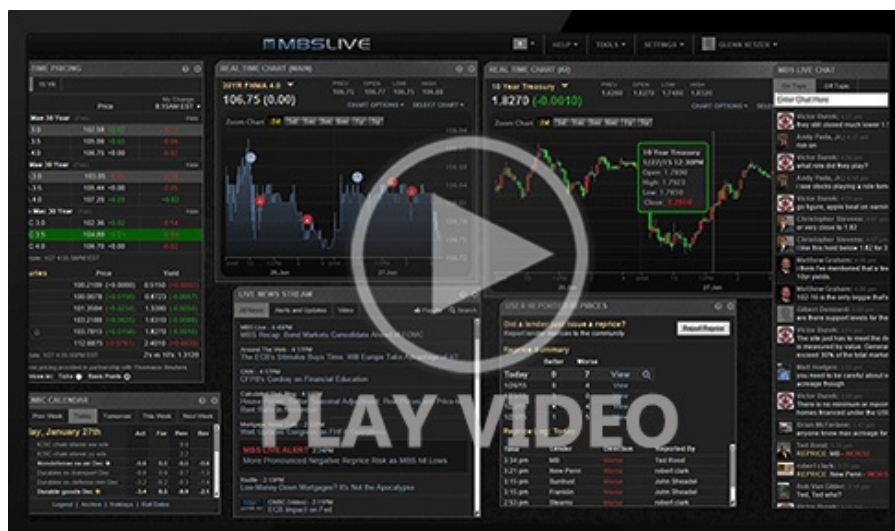
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What to Make of Week's Weakest Levels After Solid PCE Data

MBS Recap | Matthew Graham | 3:31 PM

Things looked good for the bond market earlier this morning. While yields were still quite a bit higher than those seen earlier in the week, there was an immediate, positive response to the on-target PCE data. The gains didn't last long with sellers running the table mostly between 10am and 11am ET. While some of the move could be due to traders moving to the sidelines ahead of near-term potential political developments, month/quarter-end positioning likely had a much bigger impact. Bonds ended the week at their weakest levels, but this pull-back doesn't inform next week's trading in the slightest. That honor goes to the active slate of bigger ticket economic data.



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Update

8:35 AM No Whammies in PCE Data; Bonds Rallying

Alert

10:48 AM Negative Reprice Risk Increasing as Bonds Give Up PCE Gains

Alert

11:09 AM Negative Reprices Becoming More Likely

MBS Morning

12:10 PM Month/Quarter-End Trading Causing Lots of Volatility

Econ Data / Events

- ○ Core M/M PCE
 - 0.1 vs 0.1 f'cast
 - last month revised to 0.3 from 0.2
- Core Y/Y PCE
 - 2.6 vs 2.6 f'cast

Market Movement Recap

- 08:39 AM slightly weaker overnight and slightly stronger after data. MBS up 6 ticks (.19) and 10yr down 2bps at 4.267
- 11:08 AM Tanking now. 10yr up 5.3bps at 4.34. MBS down an eighth on the day and a quarter point from rate sheets.
- 03:04 PM Still near weakest levels. 10yr up 6bps at 4.346 and MBS down 6 ticks (.19).

Lock / Float Considerations

- 4.29% is broken as technical ceiling, yet again, but we'd hesitate to read much into that considering the month/quarter-end trading day. The upcoming week will provide a better sense of prevailing momentum, but the biggest reports (like NFP and CPI) can always cause abrupt reversals.

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	4.352%	+0.065%
2 YR	4.727%	+0.017%
30 YR	4.512%	+0.086%
5 YR	4.340%	+0.035%

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