

MBS & TREASURY MARKETS

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MBS Recap: Changing The Narrative to Fit The Market Movement



Matthew M. Loan
Senior Loan Officer,
Mortgage Company, LLC.
mbslive.net
P: (704) 867-5309
M: (980) 867-5309
1050 W. Main St.
Charlotte NC 28031
NMLS: #987654321



Changing The Narrative to Fit The Market Movement

MBS Recap | Matthew Graham | 5:27 PM

Often, if not most of the time, one can observe the core ingredients of any given trading day and reasonably predict the nature of the bond market's reaction. At the very least, there's a certain basic level of causality that tends to play by the rules more often than not. For instance, if a report like ISM Manufacturing comes in weaker across the board, it's reasonable to expect bond yields to fall, all other things being equal. To be fair, that actually happened today, but only for about 70 seconds before yields began selling off again, ultimately hitting the highest levels in more than a month. Such a counterintuitive move sends analysts scurrying for narratives to fit the market movement. In this case, all we have are the now familiar month-end/new-month trading patterns and "politics." The latter is a can of worms--not because of the charged nature of the topic, but because of all the ifs, thens, assumptions, and yeah buts required to to make the narrative fit.





Watch the Video

Update

10:10 AM Counterintuitive Reaction to Weaker ISM Data

MBS Morning

11:45 AM Yet Another Counterintuitive Sell-Off After Friendly Data

Alert

2:28 PM New Lows; Reprice Risk Increasing

Econ Data / Events

- ○ ISM Manufacturing PMI
 - 48.5 vs 49.1 f'cast, 48.7 prev

Market Movement Recap

- 09:06 AM Just barely weaker overnight with additional selling at 8:20am CME open. MBS down an eighth and 10yr up 4.9bps at 4.446.
- 10:51 AM Additional weakness after ISM data, but not necessarily because of it. MBS down a quarter point and 10yr up 8bps at 4.477
- 02:28 PM weakest levels now with MBS down just over a quarter point on the day and 10yr yields up 9bps at 4.487

Lock / Float Considerations

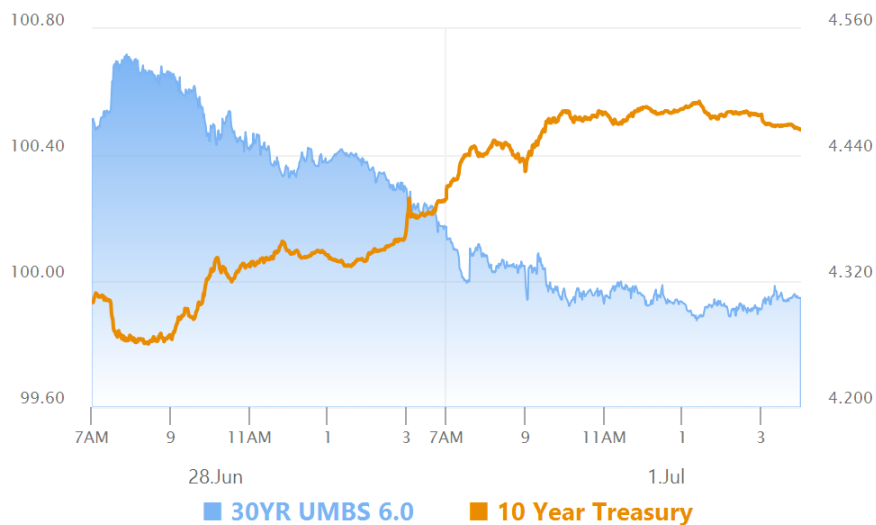
- 4.29% is broken as technical ceiling, yet again, but we'd hesitate to read much into that considering the month/quarter-end trading day. The upcoming week will provide a better sense of prevailing momentum, but the biggest reports (like NFP and CPI) can always cause abrupt reversals.

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 6.0
 30YR UMBS 6.5
 30YR GNMA 6.0
 15YR UMBS-15 5.0

US Treasuries

| | | |
|-------|--------|---------|
| 10 YR | 4.462% | +0.064% |
| 2 YR | 4.747% | -0.012% |
| 30 YR | 4.624% | +0.060% |
| 5 YR | 4.423% | +0.045% |

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