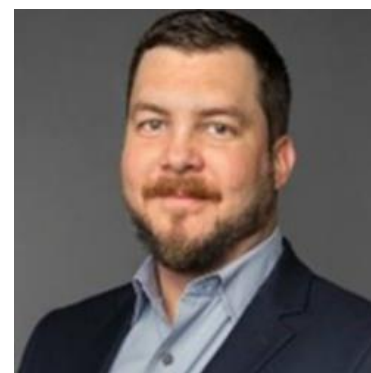


MBS & TREASURY MARKETS

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MBS Recap: Ultimately a Very Drama-Free Day; Back to Watching Data



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Ultimately a Very Drama-Free Day; Back to Watching Data

MBS Recap | Matthew Graham | 5:00 PM

Tuesday helped buck the recent trend of frustratingly counterintuitive selling sprees in the bond market. The amount of blame assigned to politics or to the arcane practices dictating monthly positioning in bonds can be debated, but there's less urgency on that front with today bringing moderate improvement. Fed Chair Powell's appearance at SINTRA was a non-event, but perhaps in a "no whammies" sort of way. Bonds gradually improved during his time on stage but lost some ground after the JOLTS data (as it should be, considering the higher than expected reading). Buyers held firm, however, and we hit the close with gains intact. To some, that's proof positive that there's no glacial repricing of risk following the presidential debate. To others, it's a suggestion that it didn't matter as much as it may have seemed. Either way, we have big ticket data to look forward to in the next two business days.





Watch the Video

Alert

10:12 AM Giving Up Some Overnight Gains After JOLTS Data

MBS Morning

11:37 AM Bond Selling Spree Thinking About Taking a Day Off

Econ Data / Events

- ○ Job Openings (lower = better for rates)
 - 8.14m vs 7.91m f'cast, 7.919m prev
- Job "Quits" (lower = better for rates)
 - 3.459m vs 3.452m prev

Market Movement Recap

- 09:46 AM Moderately stronger overnight with additional gains in early trading. MBS up more than an eighth. 10yr down 4bps at 4.423
- 11:00 AM Some weakness after JOLTS, but improving again now. MBS up 7 ticks (.22) and 10yr down 3.1bps at 4.433
- 02:53 PM Modest additional improvement with 10yr down 2.9bps at 4.435 and MBS up 6 ticks (.19)
- 04:54 PM Closing at decent levels, right in line with the previous update.

Lock / Float Considerations

- Bonds have shaken off the short term concern surrounding politics and month-end positioning. Now it's onto "normal" and logical stuff like watching big ticket economic data for cues. Friday's jobs report is big. Next week's CPI is bigger. Risk/reward is getting higher, but as always, there's no directional

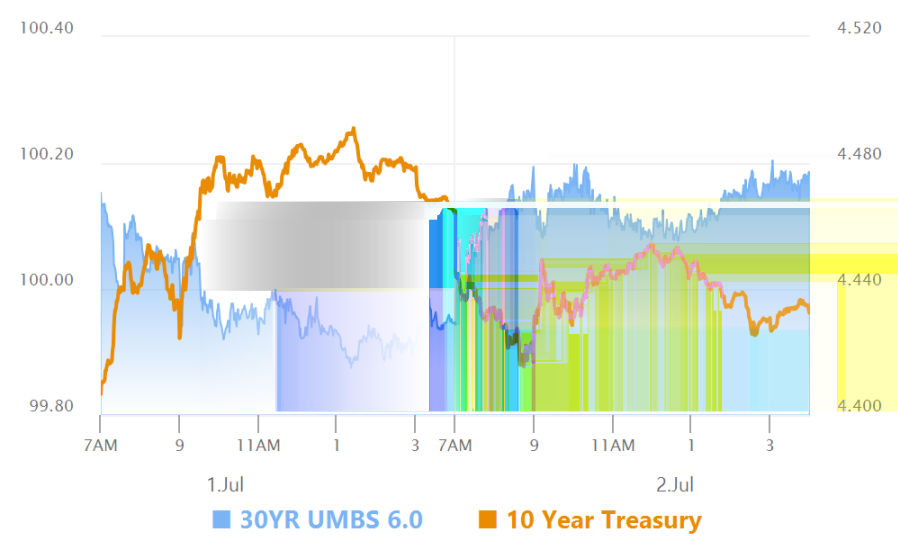
is big. Next week's CDS is bigger. Risk/reward is getting higher, but as always, there's no directional bias associated with potential volatility.

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

US Treasuries

10 YR	4.433%	-0.031%
2 YR	4.740%	-0.021%
30 YR	4.604%	-0.026%
5 YR	4.394%	-0.026%

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