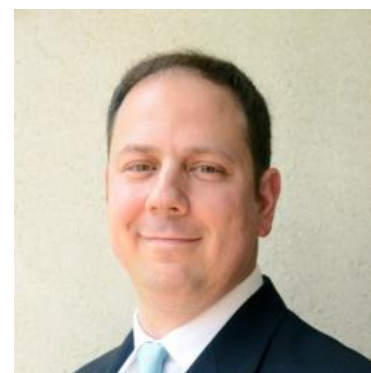


MBS & TREASURY MARKETS

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MBS Recap: Data Over Politics, For Now

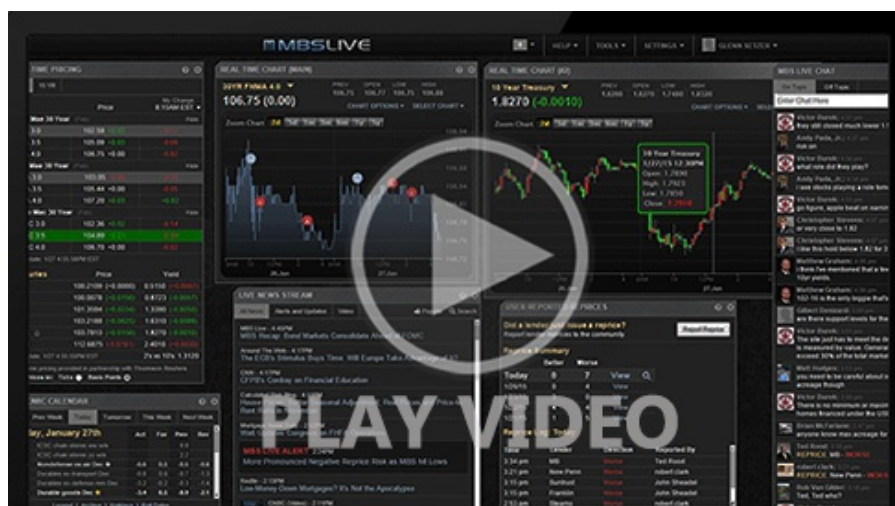


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Data Over Politics, For Now

MBS Recap | Matthew Graham | 2:17 PM

Several days ago, we were debating whether the presidential debate or the month-end/new-month trading environment was the bigger market mover. The political angle was more popular in the analytical community, but evidence is increasingly suggesting that popularity wasn't necessarily warranted. Today offered some compelling evidence in the form of absolutely no reaction to a widely circulated newswire that seemed to suggest Biden having second thoughts about remaining in the running. Contrast that to the immediate and obvious reaction to the ISM Services data, which made for the highest Treasury trading volume since PPI and jobless claims data on June 13th. Data will remain in focus when markets return from the holiday break on Friday morning thanks to non-farm payrolls.



Update

8:54 AM Modestly Stronger After First Round of Data

Update

10:08 AM Additional Gains After ISM Data

MBS Morning

11:42 AM Weaker Data, Stronger Bonds, Early Close

Econ Data / Events

- ○ ADP Employment
 - 150k vs 160k f'cast, 157k prev

Market Movement Recap

- 08:39 AM Flat overnight and stronger in early trading. MBS up 1 tick (0.03). 10yr down 2.6bps at 4.406
- 01:40 PM Drifting sideways after strong reaction to weak ISM data. MBS up about a quarter points and 10yr down 8bps at 4.352

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 bias associated with potential volatility.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
 - 4.57
 - 4.49
 - 4.35

- 4.30
- Floor/Resistance
 - 4.07
 - 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	4.360%	-0.072%
2 YR	4.716%	-0.025%
30 YR	4.530%	-0.076%
5 YR	4.325%	-0.069%

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