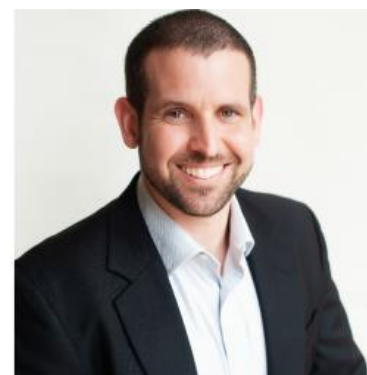


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MBS Recap: MBS Outperform. Powell Punts. Waiting on CPI



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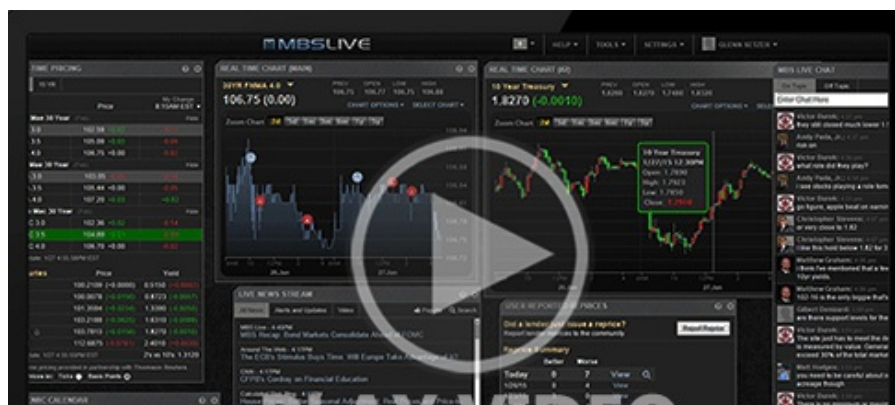
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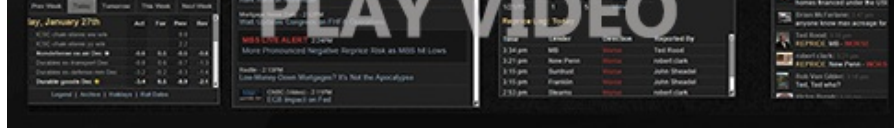
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MBS Outperform. Powell Punts. Waiting on CPI

MBS Recap | Matthew Graham | 4:27 PM

Bonds showed slightly more notable signs of life this morning when compared to yesterday, but yesterday was all but dead. The volatility surrounded Fed Chair Powell's congressional testimony but had more to do with what didn't say as opposed to what he said. Specifically, he didn't express incremental excitement or expectation about econ data justifying a rate cut any time soon, instead leaving it up to the same old "data dependent" mantra. Bonds had perhaps been hoping for a bit more dovishness. Even so, trading levels returned to pre-Powell levels by the close. 10yr Treasuries logged a small increase in yield while MBS improved modestly. Some of that is driven by the yield curve (shorter maturity Treasuries improved and MBS act more like 5s than 10s these days). Either way, the focus is even more firmly on Thursday's CPI as far as bond market inspiration is concerned.





Watch the Video

MBS Morning

9:54 AM Powell Testimony And Treasury Auction Cycle

Update

10:11 AM Bonds a Bit Nervous After Powell's Prepared Remarks

Alert

11:31 AM Bonds at Weakest Levels

Market Movement Recap

- 11:47 AM Modestly weaker overnight with additional losses during Powell testimony. Mainly an issue for Treasuries. 10yr up 4.4bps at 4.324. MBS down 2 ticks (.06).
- 01:26 PM MBS roughly unchanged. 10yr up 3bps at 4.31%
- 03:32 PM Still sideways with modest MBS outperformance. 10yr up 1.4bps at 4.294. MBS up 2 ticks (.06).

Lock / Float Considerations

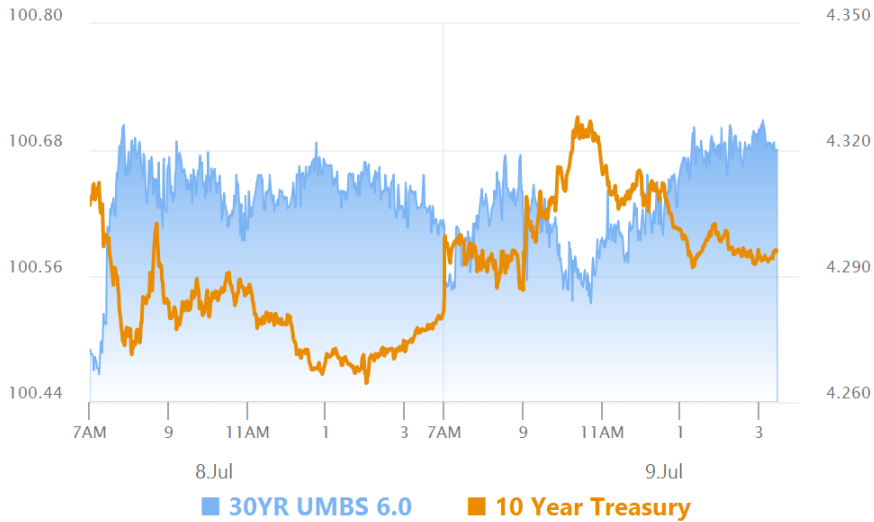
- Friday's jobs report was a win for the bigger picture rate trend, but more in the sense that it helped defuse concerns about inexplicable labor market strength in a restrictive monetary environment. It leaves a very blank canvas for CPI data to set the tone in the coming week. Data dependence is the only certainty as far as directionality. In other words, lock/float is a coin toss that waits for big economic reports to call heads/tails. All we can tell you is that CPI is a high stakes coin. Between now and then, risk averse clients might consider the tendency for Treasury auction weeks to get off to a rockier start.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
 - o 4.57
 - o 4.49
 - o 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	4.296%	+0.016%
2 YR	4.624%	-0.008%
30 YR	4.490%	+0.025%
5 YR	4.244%	+0.003%

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