

MBS & TREASURY MARKETS

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MBS Recap: The Sun Also Sets on Bond Rallies



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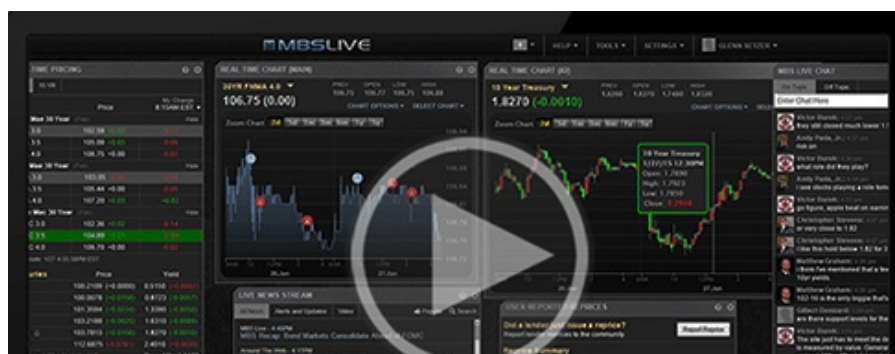
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The Sun Also Sets on Bond Rallies

MBS Recap | Matthew Graham | 4:44 PM

Don't worry, the headline is much more dire than the underlying message. Long story short, there are always some counter-trend influences even when the bond market is trending decisively in one direction. One might refer to the trend since May or to last week's CPI reaction as decisive. As such, one might increasingly expect some ground to be given. We could certainly argue that we've seen resistance in bonds ever since the middle of Thursday morning, following the CPI rally. In a figurative sense, this re-sets the board for the next move, and big ticket economic data helps determine the direction of that move.





Watch the Video

MBS Morning

11:40 AM Another Chance to Assess Market Sensitivity to Politics

Alert

1:46 PM MBS at Lows, But Reprice Risk is Modest at Best

Econ Data / Events

- ○ NY Fed Manufacturing
 - -6.6 vs -6 f'cast, -6 prev

Market Movement Recap

- 10:32 AM Modestly weaker overnight but holding ground so far. MBS down just over an eighth and 10yr up 4.3bps at 4.227.
- 01:04 PM Losing some ground as Powell speaks. MBS down 2 ticks from highs (0.06) and an eighth on the day. 10yr up 4.4bps at 4.227
- 02:55 PM Still under some pressure, MBS down 7 ticks (.22) and 10yr up 4.3bps at 4.227
- 03:35 PM Weakest levels of the day for MBS, down 7 ticks (.22). 10yr up 4.6bps at 4.229

Lock / Float Considerations

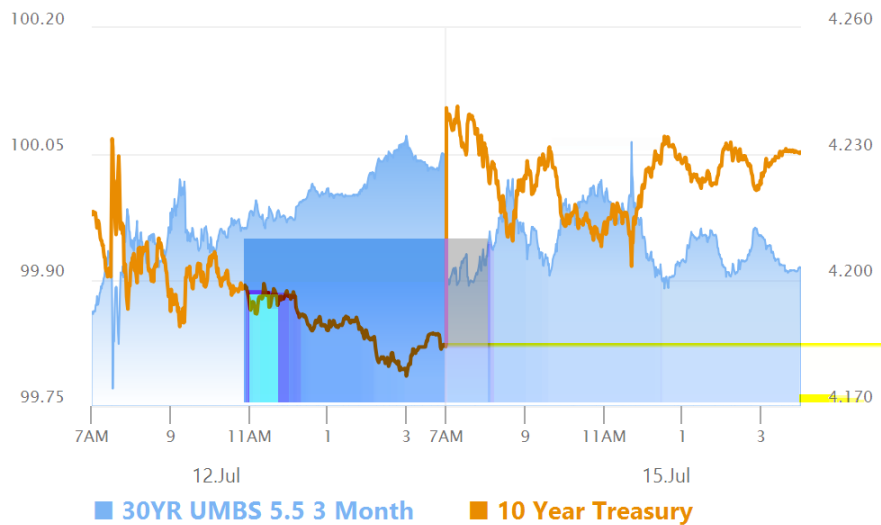
- Last week's CPI helped solidify the on-again, off-again downtrend in rates that began in May. The burden of proof is increasingly on bond bears and upbeat econ data. That is welcome news for risk-tolerant clients, but it's good to remember that there are always pockets of correction in any trend. The more we push long term lows, the more such risks make sense to consider. Beyond that, "data dependency" reigns supreme. In the shortest term, Tuesday's Retail Sales is likely the biggest risk of the week on the data front.

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 | 4.231% | +0.048% |
| 2 YR | 4.460% | +0.005% |
| 30 YR | 4.458% | +0.063% |
| 5 YR | 4.134% | +0.033% |

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