

# MBS & TREASURY MARKETS

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## MBS Recap: Bonds Shake Off Retail Sales Impact to End Stronger



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## Bonds Shake Off Retail Sales Impact to End Stronger

MBS Recap | Matthew Graham | 4:14 PM

This morning's Retail Sales data may have been right in line with forecasts at the headline level, but components of the report were much stronger than expected. As such, the initial sell-off made logical sense, or at least it was able to be explained in hindsight. The rest of the trading day was consistent with 0.0% retail sales growth as bonds slowly regained all of the ground lost in the morning, ultimately hitting the day's best levels just before the 3pm close. MBS underperformed 10yr Treasuries but fared roughly the same as the short end of the yield curve (more on that in today's video).





Watch the Video

**Alert**

8:34 AM Giving up Overnight Gains Despite As-Expected Retail Sales

**MBS Morning**

10:41 AM Two Kinds of Flat

**Econ Data / Events**

- ○ Retail Sales
  - 0.0 vs 0.0 f'cast, 0.1 prev
- Retail Sales Excluding Gas and Autos
  - +0.8, highest since January
- NAHB Housing Market Index
  - 42 vs 44 f'cast, 43 prev

**Market Movement Recap**

- 08:35 AM MBS are back to unchanged levels. 10yr yields are down 3.2 bps at 4.20%.
- 11:06 AM Doing a decent job holding in positive territory now. MBS up 3 ticks (.09). 10yr down 3.7bps at 4.196.
- 02:03 PM Treasuries back at best levels, down 6bps at 4.173. MBS up an eighth.
- 03:52 PM Heading out at best levels with 10yr down 6.8bps at 4.165 and MBS up 6 ticks (.19).

**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.

## Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
  - o 4.49
  - o 4.35
  - o 4.30
  - o 4.19
- Floor/Resistance
  - o 3.91
  - o 4.07

## 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	4.162%	-0.071%
2 YR	4.425%	-0.035%
30 YR	4.374%	-0.087%
5 YR	4.082%	-0.052%

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