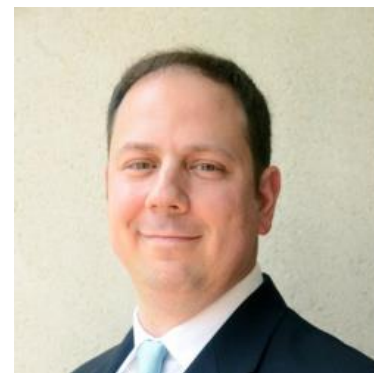


MBS & TREASURY MARKETS

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MBS Recap: More Data Defiance. Maybe It's All About Claims?

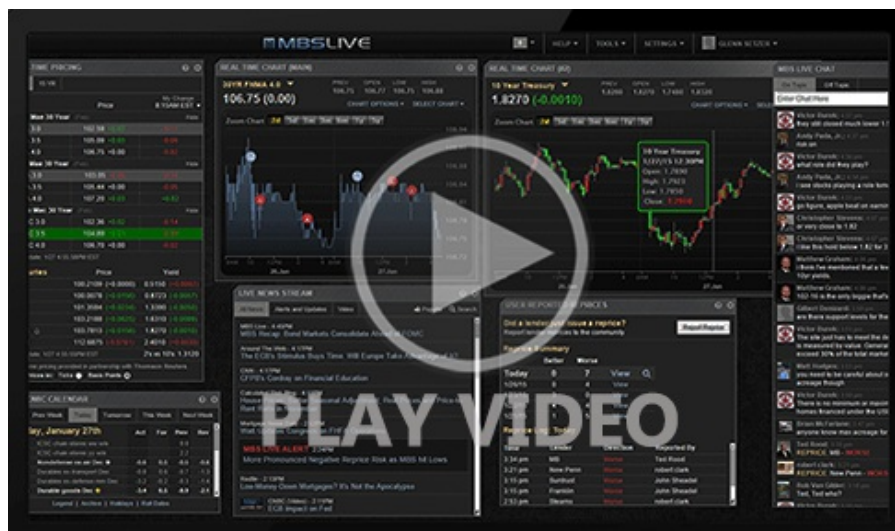


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More Data Defiance. Maybe It's All About Claims?

MBS Recap | Matthew Graham | 4:40 PM

Bonds have been trending gently stronger after last week's CPI numbers, which is notable considering the headwinds presented by Tuesday's Retail Sales. Wednesday's data didn't suggest a recovery from overnight weakness, but we got one nonetheless--perhaps with some help from Fed speakers adding to the sense of a September rate cut. While the modestly bullish bias has been able to defy the data seen so far, the Fed's focus on the labor market may mean that Thursday's Jobless Claims number is a better headliner for the week than Retail Sales. After all, this is the installment that lines up with survey week for the forthcoming jobs report.



MBS Morning

11:28 AM Uneventful Start And an Uneventful Calendar

Econ Data / Events

- ○ Housing Starts
 - 1.353m vs 1.330m f'cast
- Building Permits
 - 1.446m vs 1.40m f'cast
- Industrial Production
 - 0.6 vs 0.3 f'cast, 0.9 prev

Market Movement Recap

- 09:15 AM Sideways to slightly weaker overnight with no major movement so far. MBS down 6 ticks (.19) and 10yr up 2.3bps at 4.182.
- 12:55 PM Gradually moving to best levels of the day with 10yr now unchanged and MBS nearly unchanged.
- 03:07 PM Slightly deeper into today's lowest yields with 10yr down 1.2bps at 4.147. MBS up 1 tick (.03).

Lock / Float Considerations

- Thursday's jobless claims data means higher risk/reward. Risk averse clients are still looking for lock opportunities with rates at 5 month lows while risk tolerant clients are waiting for the bond market to prove it remembers how to sell-off.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
 - 4.49
 - 4.35
 - 4.30

- 4.17
- Floor/Resistance
 - 3.91
 - 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	4.160%	+0.000%
2 YR	4.439%	+0.022%
30 YR	4.378%	+0.005%
5 YR	4.080%	+0.005%

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