

MBS & TREASURY MARKETS

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MBS Recap: Morning Volatility, Afternoon Drift

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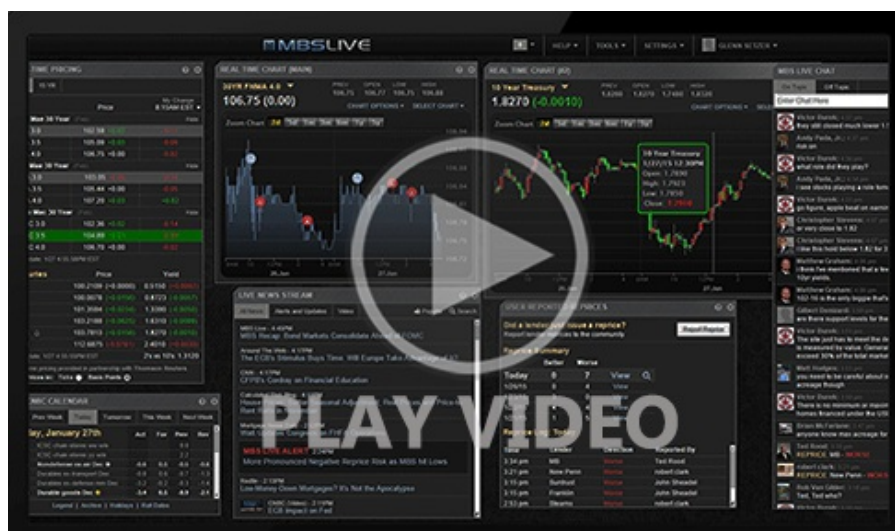


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Morning Volatility, Afternoon Drift

MBS Recap | Matthew Graham | 5:07 PM

Bonds began the day in modestly weaker territory before undergoing a bit of volatility after the morning economic data. The two reports in question were Jobless Claims, which voted in favor of lower yields, and the Philly Fed Index, which made the opposite case. Bonds went both ways before the bulls ultimately took control and got yields back to unchanged levels just before 11am. After that, it was a slow grind to the weakest levels of the day, but all of the above played out in a range that was just as narrow as the last few days.



Watch the Video

Update

8:35 AM Modest Gains After Higher Jobless Claims

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12:49 PM Jobless Claims Helping Bonds Push Back Against Overnight Weakness

Alert

2:59 PM Negative Reprice Risk Increasing

Econ Data / Events

- ○ Jobless Claims
 - 243k vs 230k f'cast, 223k f'cast
- Continued Claims
 - 1867k vs 1860k f'cast, 1847k prev
- Philly Fed Index
 - 13.9 vs 2.9 f'cast, 1.3 prev
- Philly Fed Prices Paid
 - 19.8 vs 22.5 prev

Market Movement Recap

- 08:53 AM Initial gains after Jobless Claims data, but pulling back a bit now. 10yr up over 2bps at 4.18+. MBS down 3 ticks (0.09)
- 11:05 AM Back into positive territory in MBS, up 1 tick (.03). 10yr still up 1.2bps at 4.17, but well off the highs.
- 02:43 PM slightly weaker over the past few hours. MBS down 2 ticks (.06) and 10yr up 2.3bps at 4.18
- 04:39 PM heading out at the weakest levels. MBS down 6 ticks (.19) and 10yr up 4.4bps at 4.201

Lock / Float Considerations

- Bonds continue struggling to find a reason to extend the recent rally in any major way, but they're also not struggling at all to find reasons to hold ground at the strongest levels in months. In fact, they're holding that ground despite data that might suggest a bit more weakness. 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.

Technical/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
 - o 4.49
 - o 4.35
 - o 4.30
 - o 4.17
- Floor/Resistance
 - o 3.91
 - o 4.07

MBS & Treasury Markets



MBS

30YR UMBS 5.5
30YR UMBS 6.0
30YR GNMA 5.5
15YR UMBS-15 5.0

US Treasuries

10 YR	4.203%	+0.045%
2 YR	4.475%	+0.037%
30 YR	4.414%	+0.040%
5 YR	4.119%	+0.042%

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