

MBS & TREASURY MARKETS

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MBS Recap: Mid-Day Mystery Move But no Impact on Bigger Picture

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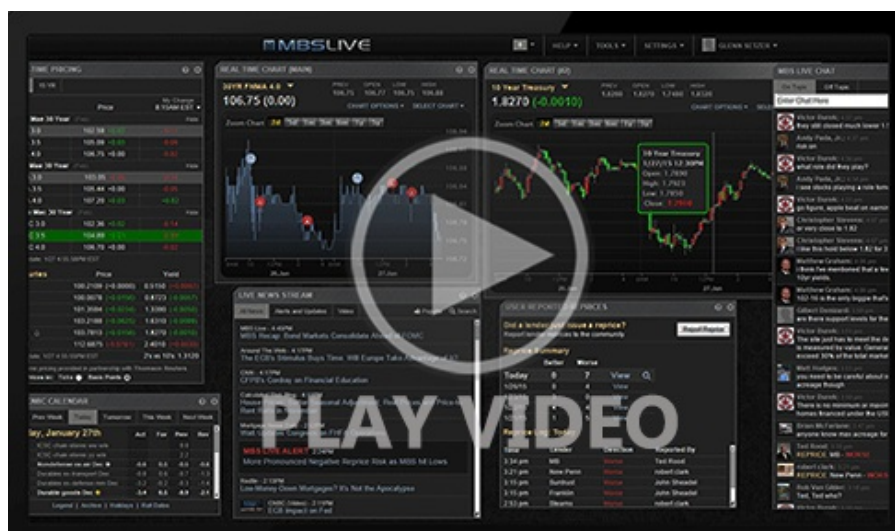
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Mid-Day Mystery Move But no Impact on Bigger Picture

MBS Recap | Matthew Graham | 5:02 PM

The most notable development in the bond market today was the fairly abrupt (but still small-scale) sell off that took place between 11:20am and noon ET. Oftentimes, there are at least a few reasonable options to serve as scapegoats for otherwise inexplicable market movement, but that's arguably not the case this time around. Is it political? If so, why did the market wait until 11:20am? Is it related to other markets? Stocks also sold off at the time, but they rallied back whereas bonds did not. Europe? The timing lines up, but the move in US bonds was bigger (the opposite of what a European influence would suggest). Ultimately, the incredibly low volumes and range-contained losses mean we don't have to agonize over this one.



Watch the Video

11:22 AM Total and Complete Absence of a Reaction to Biden Bowing Out

Alert

11:36 AM Bonds Selling Off

Market Movement Recap

- 11:30 AM Slightly stronger overnight but giving up some gains in the past few minutes. 10yr up 0.4bps at 4.242. MBS roughly unchanged.
- 01:25 PM weakest levels of the day just before 1pm. MBS down 3 ticks (.09) and 10yr up 2.6bps at 4.264
- 04:20 PM MBS back to unchanged and 10yr up 1.8bps at 4.256

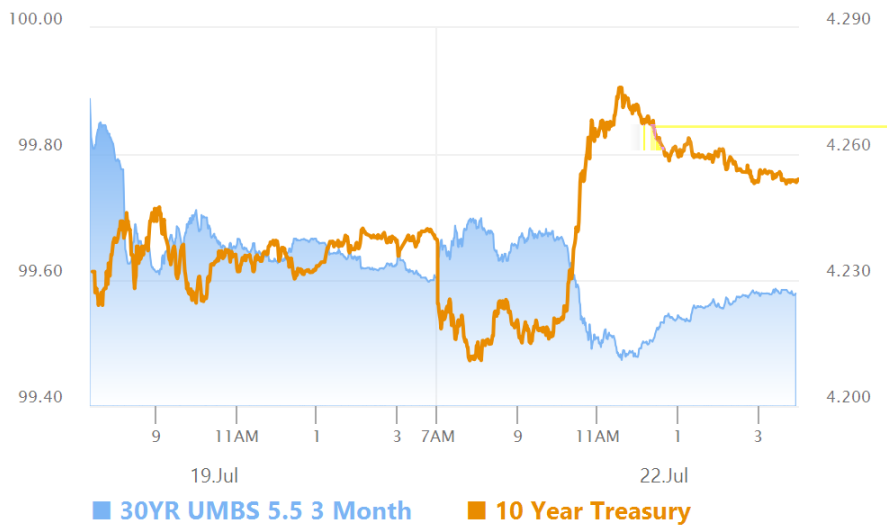
Lock / Float Considerations

- With some early pressure in the new week, there's a modest case to be made that bonds have been correcting off the strong levels achieved last week. The risk averse approach would be to wait for further correction to be ruled out. Risk tolerant clients still probably haven't seen enough weakness to force their hands, but they should be aware of calendar risks associated with data and auctions in the 2nd half of the week.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
 - o 4.49
 - o 4.35
 - o 4.30
 - o 4.17
- 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	4.253%	+0.015%
2 YR	4.523%	+0.010%
30 YR	4.473%	+0.026%
5 YR	4.180%	+0.014%

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