

# MBS & TREASURY MARKETS

Daily Coverage. Industry Leading Perspective.



## MBS Recap: Whatever Happened to Bonds Being Data Dependent?

Caleb LeGrand  
Branch Manager, CL Team  
- NEO Home Loans

[www.clteam.us](http://www.clteam.us)

P: (864) 569-0741

400 Executive Center Dr.  
Greenville SC 29615

NMLS #259691

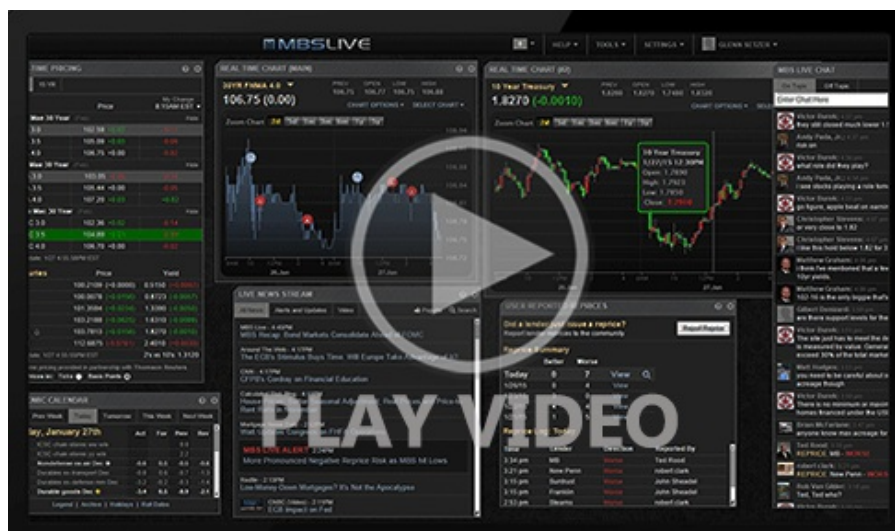


NEO Home Loans is a registered DBA of Luminata Home Loans, Inc., NMLS #150953

## Whatever Happened to Bonds Being Data Dependent?

MBS Recap | Matthew Graham | 4:29 PM

Bonds began the day in stronger territory and remained stronger through mid-day despite AM volatility. Some of the volatility was driven by economic data with S&P Global Services PMI coming in higher than expected. Most of the day's movement, however, was driven by "something else," and something else pushed longer term yields higher while allowing short term yields to remain lower. How do we reconcile that in this era where "data dependence" is so often repeated as the bond market's prime directive? First off, while today's volatility was unpleasant in the afternoon, it was very small in the bigger picture. It was also not so much about bond market weakness as it was about the yield curve normalizing. This is not a phenomenon that will always need to play out at the expense of the 10yr and MBS. That's just the way it played out today.



Watch the Video

## Update

9:48 AM Mixed S&P PMI Data; First Move is Weaker, But Not Much

## MBS Morning

12:07 PM Bonds Shake Off Stronger Services PMI to Hold Overnight Gains

## Alert

1:21 PM Down About an Eighth After 5yr Auction

## Alert

2:00 PM Now in Weaker Territory; Reprice Risk Increasing

## Econ Data / Events

- ○ Wholesale Inventories
  - 0.2 vs 0.5 f'cast, 0.6 prev
- S&P Services PMI
  - 56 vs 55 f'cast, 55.3 prev
- S&P Manufacturing PMI
  - 49.5 vs 51.7 f'cast, 51.6 prev

## Market Movement Recap

- 11:00 AM Slightly stronger overnight, volatile after PMI data, but still in the green. MBS up an eighth. 10yr down 4bps at 4.211.
- 01:03 PM some weakness before and after 5yr auction. 10yr down 1.4bps at 4.238. MBS up 2 ticks (.06)
- 02:02 PM More weakness now. 10yr up 2.2bps at 4.273. MBS back to unchanged levels, down 6 ticks (.19) from highs.
- 03:56 PM MBS at weakest levels, down an eighth on the day and more than a quarter point from the highs. 10yr up 3bps at 4.281.

## Lock / Float Considerations

- This week's weakness makes the case 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 are increasingly close to having their overhead lock triggers taken out, depending on the trigger of choice. That said, the rest of the week may have more to do with data than technicals and curve trading.

## 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	4.281%	+0.029%
2 YR	4.425%	-0.067%
30 YR	4.538%	+0.053%
5 YR	4.167%	+0.005%

[Open Dashboard](#)

[Share This](#)