

# MBS & TREASURY MARKETS

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## MBS Recap: No Bad News in Today's Treasury Announcement



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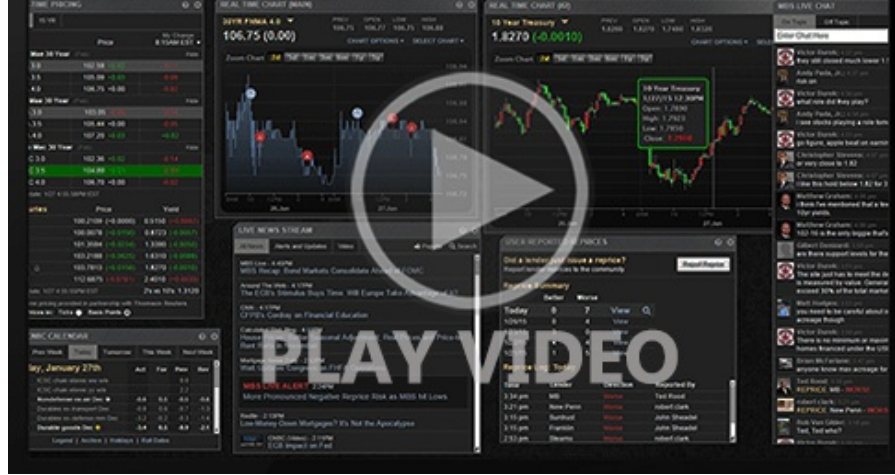
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## No Bad News in Today's Treasury Announcement

MBS Recap | Matthew Graham | 4:14 PM

There have been a few occasions in the past few years where Treasury's quarterly refunding announcement sent shockwaves through the bond market. Today turned out not to be one of them. Treasury showed traders the light at the end of the issuance tunnel late last year (part of the reason for the big rally in November) and now we're simply seeing the general fruition of those predictions. In fact, the Q3 borrowing estimate was more than \$100bln LOWER than last time. Markets don't have a perfect way to predict how these estimates will change quarter to quarter, but the trading reaction tells us it was only a very small surprise, but also a pleasant one.



Watch the Video

## MBS Morning

11:41 AM Stronger Start. Treasury Supply Preview This Afternoon

Alert

12:23 PM MBS at Lows

## Market Movement Recap

- 10:13 AM Modestly stronger overnight. 10yr down 2.3bps at 4.173. MBS up 1 tick (.03).
- 12:15 PM MBS near lows, unchanged on the day. 10yr still down 1.6bps at 4.18
- 02:40 PM Sideways since 11am. 10yr down 2bps at 4.175. MBS up 1 tick (.03).
- 03:10 PM Small improvement after Treasury refunding announcement. MBS up 2 ticks and 10yr down 2.8bps at 4.168.

## Lock / Float Considerations

- Friday's PCE victory helps set a range ceiling for now. It's all the way up at 4.29 in terms of 10yr yields, so it gives risk takers some room to play the range. As always, there's no way to know which way things will go this week--only that the stakes are higher. Volatility potential increases steadily into Friday's jobs report. Wednesday afternoon's Fed announcement is a bit of a wildcard--not because of the rate decision, but rather markets are looking for clues about September's meeting.

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

### US Treasuries

10 YR	4.169%	-0.027%
2 YR	4.392%	+0.016%
30 YR	4.419%	-0.034%
5 YR	4.065%	-0.011%

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