

MBS & TREASURY MARKETS

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MBS Recap: Data and Headlines Drive Modest Volatility Ahead of The Fed



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Data and Headlines Drive Modest Volatility Ahead of The Fed

MBS Recap | Matthew Graham | 4:06 PM

There were two different bouts of modest volatility in the bond market today. The first followed the 10am JOLTS data as the stronger headline/revisions caused some initial selling. Buyers bounced back with help from softer internal components--both in JOLTS and via the labor differential in the Consumer Confidence data. Afternoon volatility followed headlines regarding a rocket attack in Beirut which left bonds sideways near their best levels of the day. The Fed announcement is the next major calendar event, but Wednesday AM data is still capable of causing some movement.





Watch the Video

Update

10:19 AM Bonds Give Up Modest Gains After JOLTS Data

MBS Morning

12:28 PM JOLTS Data Threads The Needle

Update

1:19 PM Bonds Pop Into Positive Territory on Geopolitical Headlines

Econ Data / Events

- ○ Job Openings
 - 8.184m vs 8.0m f'cast, 8.23m prev
- Job Quits (lower is better)
 - 3.282 vs 3.459m prev
- Consumer Confidence
 - 100.3 vs 99.7 f'cast, 100.4 prev

Market Movement Recap

- 10:22 AM Unchanged overnight, stronger early, now back to unchanged after data. MBS down 1 tick (0.03). 10yr down 0.5bps at 4.17
- 01:04 PM Quick surge in bonds on geopolitical headlines. 10yr down 3.4bps at 4.142. MBS up an eighth.
- 03:29 PM Fairly flat after early afternoon gains. 10yr down 3.6bps at 4.141. MBS up an eighth.

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. If anything, there are unfriendly asymmetric risks due to the universal belief in a September cut. In other words, the Fed couldn't anything to make that cut more likely, but they could do something to raise some small questions.

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	4.144%	-0.033%
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2 YR	4.361%	-0.041%
30 YR	4.401%	-0.025%
5 YR	4.037%	-0.038%

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