

# MBS & TREASURY MARKETS

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## MBS Recap: Straightforward, Uneventful Session Caps The Correction



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## Straightforward, Uneventful Session Caps The Correction

MBS Recap | Matthew Graham | 5:24 PM

Bonds have been in correction mode for almost the entire week. Early trading on Monday morning was the only exception with the unwinding of the Yen carry trade dominating the action. But even then, bonds had given up all of the gains by the close of business on Monday and only continued losing ground through the end of the Treasury auction cycle yesterday. If there's one day this week that had the best chance of seeing an end to the correction, today would be it. And it was! Dare we say this has all been fairly logical, even if Monday's initial volatility presented a big curve ball? If things remain logical, the next big move, for better or worse, stands the best chance to find inspiration from Wednesday morning's CPI data.





Watch the Video

## MBS Morning

11:00 AM Pre-CPI Consolidation Leveling Off

## Alert

11:06 AM MBS Down an Eighth From AM Highs

## Market Movement Recap

- 09:47 AM Steady gains overnight and in early trading. 10yr down 5.6bps at 3.936 and MBS up an eighth.
- 12:48 PM Mostly flat with MBS up 5 ticks (.16) and 10yr down 6bps at 3.934
- 04:19 PM Gradual leakage in MBS with 5.5 coupons up only 2 ticks (.06). 10yr yields are still down 5.4bps at 3.939

## Lock / Float Considerations

- Friday's modest gains suggest this week's correction has run its course. Risk/reward is more subdued at this point until we get to next week's key econ data--most notably CPI on Wednesday.

## Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
  - o 4.07
  - o 3.97
  - o 3.89
- Floor/Resistance
  - o 3.58
  - o 3.72

- 3.73
- 3.79

## 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 | 3.939% | -0.054% |
| 2 YR  | 4.053% | +0.012% |
| 30 YR | 4.225% | -0.055% |
| 5 YR  | 3.795% | -0.036% |

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