

MBS & TREASURY MARKETS

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MBS Recap: Calmer Week, But Are Storms Brewing?



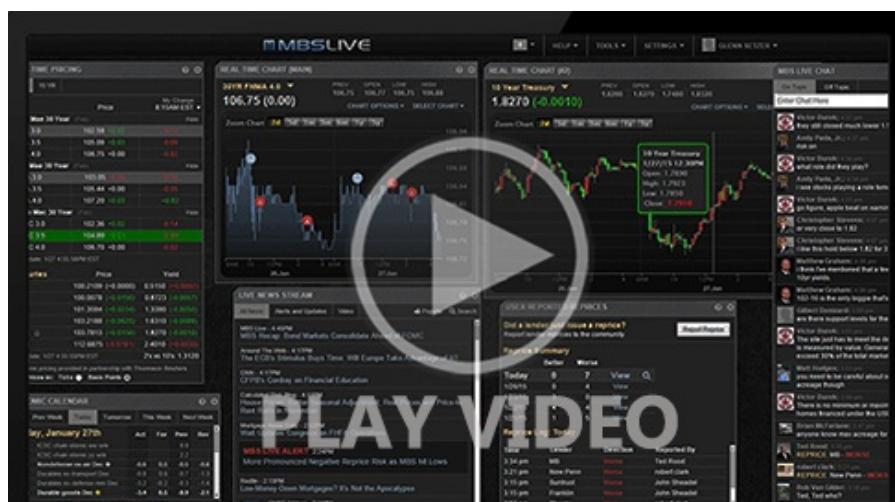
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Calmer Week, But Are Storms Brewing?

MBS Recap | Matthew Graham | 5:53 PM

By the time this week's CPI data came in as expected, it was highly unlikely that the present week would live up to the volatile legacy of the previous two weeks. Thursday's jobless claims / retail sales combo did its best to stir the economic pot, but bonds weren't interested in panicking. Treasuries followed European yields lower overnight and then drifted back toward unchanged levels before ending the day in stronger territory. All told, the entirety of this week's trading session would fit inside NFP Friday from 2 weeks ago... Next week's focus is on Fed Chair Powell in the event he offers any clarification or setting of the stage for the September rate cut.



Update

10:09 AM Weakest Levels After Sentiment Data

MBS Morning

12:21 PM Quiet Friday Despite Early Volatility

Econ Data / Events

- ○ housing starts
 - 1.238m vs 1.33m f'cast, 1.329m prev
- building permits
 - 1.396m vs 1.43m f'cast, 1.454m prev
- Consumer Sentiment
 - 67.8 vs 66.9 f'cast, 66.4 prev
- Consumer Inflation Expectations
 - unchanged vs previous
- Consumer Current Conditions
 - 60.9 vs 62.7 prev
 - lowest since Dec 2022

Market Movement Recap

- 09:49 AM Modestly stronger overnight but giving up some gains early. MBS up only 1 tick (.03). 10yr down 1.7bps at 3.894.
- 12:13 PM Some additional weakness after consumer sentiment data. MBS unchanged and 10yr down less than half a bp at 3.907.
- 01:48 PM Bouncing back a bit. MBS up 3 ticks (.09) and 10yr down 2bps at 3.89
- 05:40 PM Heading out near the best levels with MBS up 5 ticks (.16) and 10yr down 3bps at 3.881

Lock / Float Considerations

- Jobless Claims data spoke up on Thursday and demanded to not be included in our list of 2nd tier data, even if it had some help from Retail Sales. From here, it's much easier to label Friday's data as 2nd tier as well as most of next week. That takes us into the Fed minutes on Wed and the Jackson Hole symposium on Thu/Fri. Between now and then, risk averse clients should consider that bonds may be at risk of an additional re-think of the gloomy econ data in the first week of August. Risk tolerant clients are relying on technical ceilings as lock triggers.

Technical/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
 - o 4.07
 - o 3.95

- Floor/Resistance
 - o 3.58
 - o 3.70
 - o 3.82
 - o 3.87

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	3.885%	-0.026%
2 YR	4.041%	-0.051%

30 YR

4.142%

-0.028%

5 YR

3.759%

-0.026%

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