

MBS & TREASURY MARKETS

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MBS Recap: It May Have Seemed Like a Bad Day, But...

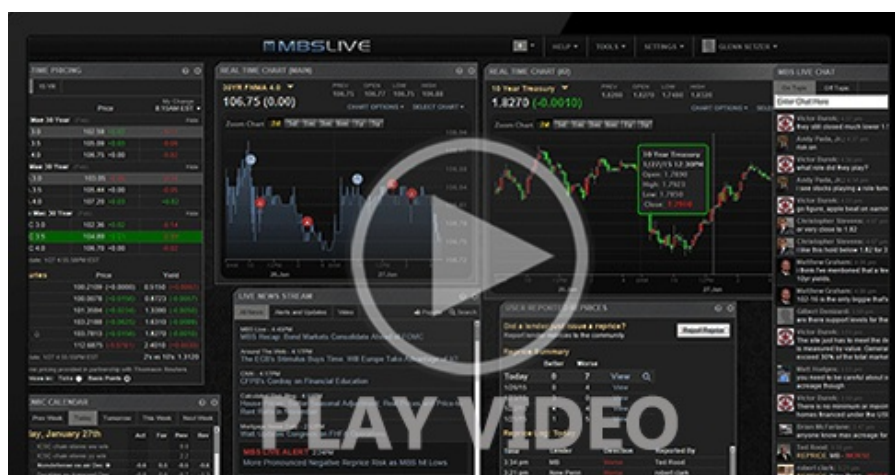


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It May Have Seemed Like a Bad Day, But...

MBS Recap | Matthew Graham | 5:07 PM

Ever since topping out last Thursday morning, bonds have been steadily recovering. Each subsequent trading day has seen lower closing yields with yesterday's roughly matching NFP Friday's, also incidentally the lower end of the prevailing range at 3.80%. Whether it was a range-bound bounce or the result of decent economic data, bonds respected the range and moved several bps higher today. It may have seemed a bit overdone at times, but consider the closing levels under 3.86% in a 3.8-4.0 range. Volatility risks increase on Friday with Powell's Jackson Hole appearance. Drama is not guaranteed, but there's a chance the market walks away with increased clarity regarding the Fed's play book for early September data and the size of the rate cut.





Watch the Video

Update

8:39 AM No Huge Impact From Claims Data

MBS Morning

10:20 AM Decent Data Only a Minimal Headwind For Bonds

Alert

11:11 AM Weakest Levels of The Morning

Alert

12:45 PM Negative Reprice Risk Increasing

Econ Data / Events

- ○ Jobless Claims
 - 232k vs 230k f'cast, 227k prev
- Continued Claims
 - 1863k vs 1870k f'cast, 1859k prev
- S&P Services PMI
 - 55.2 vs 54 f'cast, 55.0 prev
- S&P Manufacturing PMI
 - 48.0 vs 49.6 f'cast, prev

Market Movement Recap

- 08:40 AM Modestly weaker overnight with no major change after claims data. MBS down an eighth and 10yr up 3.7bps at 3.838.
- 09:48 AM Small recovery into 9am hour, but now a bit weaker after PMI Data. MBS back down an eighth and 10yr up 3.6bps at 3.838.
- 02:30 PM Bouncing back a bit from the weakest levels of the day. MBS down 7 ticks (.22). 10yr up 5.7bps at 3.858.

Lock / Float Considerations

- Bonds are in a holding pattern with 10yr yields just under 4% until further notice. Risk and reward remain muted all week as evidenced by the minimal day to day change through Thursday. This changes, somewhat, heading into Friday with Fed Chair Powell scheduled to speak at Jackson Hole.

Technicals/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	3.854%	+0.053%
2 YR	4.012%	+0.070%

2 YR	4.013%	+0.079%
30 YR	4.125%	+0.047%
5 YR	3.719%	+0.061%

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