

MBS & TREASURY MARKETS

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MBS Recap: Closing Near Week's Best Levels

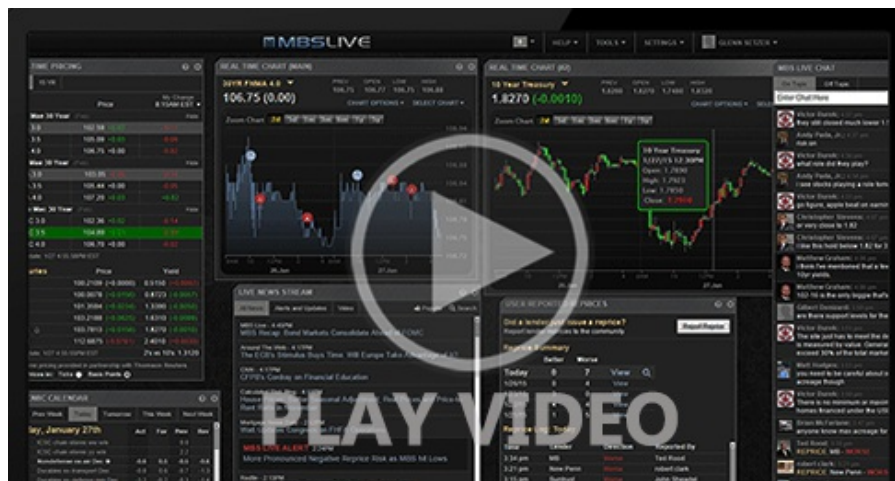


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Closing Near Week's Best Levels

MBS Recap | Matthew Graham | 4:25 PM

If Friday was going to offer any example of scheduled events causing movement in the bond market, it fell to Powell's Jackson Hole appearance to do the heavy lifting. On that note, everything went off in a logical and fairly ideal way. Powell forcefully confirmed the Fed policy shift despite stopping short of giving any sort of indication on the size of the forthcoming rate cut in September. Bonds rallied instantly upon the release of the Powell's prepared remarks and, in the absence of a Q&A session, that was it for the day. MBS and Treasuries hit their best levels a few moments later and both are heading out the door at almost the exact same levels.



MBS Morning

10:19 AM Bonds are Liking Powell's Jackson Hole Speech

Market Movement Recap

- 10:03 AM Very flat overnight and into Powell speech, but gaining ground now. MBS up an eighth and 10yr down 4.7bps at 3.806
- 01:00 PM Stronger after Powell and flat since then. MBS up 5 ticks (.16) and 10yr down 3.4bps at 3.82
- 03:38 PM Near the best levels with MBS up 9 ticks (.28) and 10yr down 5.1bps at 3.803

Lock / Float Considerations

- The post-Powell rally is tricky because, on the one hand, it creates a lock cue for those who'd taken the risk of floating into the event. On the other hand, the confirmation of the Fed's rate-friendly stance may be worth something to overseas markets by Monday morning. Balance all of the above against the impending Treasury auction cycle and yields being at the lower end of their trading range (both bullet points suggest some additional caution). Either way, we're not dealing with incredibly high stakes until the first week of September.

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	3.797%	-0.056%
2 YR	3.910%	-0.098%
30 YR	4.090%	-0.032%
5 YR	3.644%	-0.073%

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