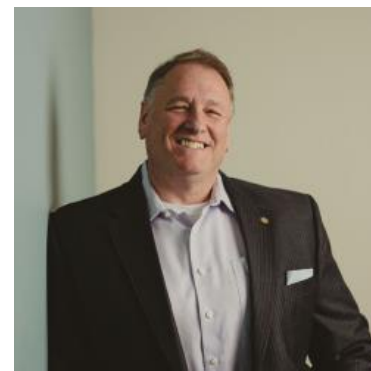


MBS & TREASURY MARKETS

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MBS Recap: Uneventful Monday Despite AM Volatility



George Moorhead

Designated Broker /
President, Bentley
Properties

www.GeorgeMoorhead.com

P: (425) 747-1901

M: (425) 236-6777

georgem@bentleyproperties.com

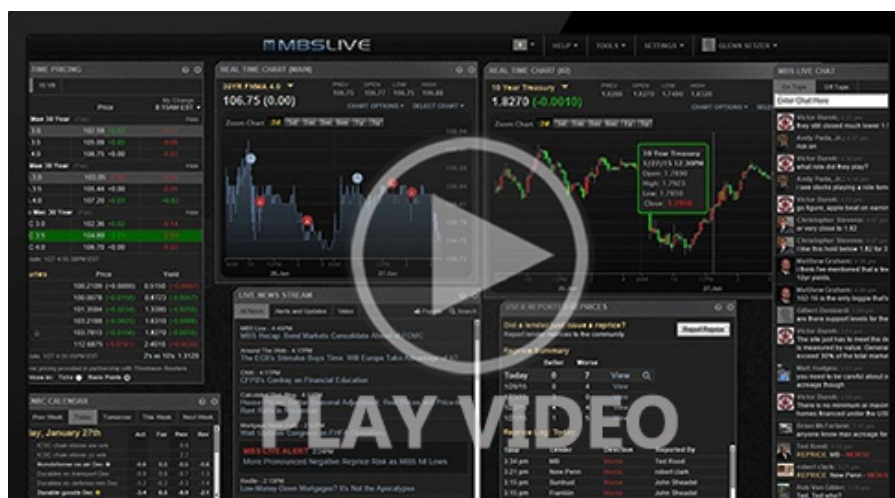
14205 SE 36th St
Bellevue WA 98006

Washington RE License 2390

Uneventful Monday Despite AM Volatility

MBS Recap | Matthew Graham | 5:00 PM

Durable goods data made for a semblance of volatility this morning, with the core components resulting in a small rally at 8:30am. Bonds bounced back into weaker territory at 9:30am amid NYSE tradeflows. There was another mini-rally and another mini-sell-off ultimately giving way to an extremely narrow range near unchanged levels for the rest of the day. MBS outperformed Treasuries by an amount that makes good logical sense on a Treasury auction week. All in all, it may as well have been a 3 day weekend.



MBS Morning

9:10 AM Why Are Bonds Rallying Despite Much Stronger Durable Goods?

Update

10:07 AM MBS Down an Eighth From Highs

Econ Data / Events

- ○ Durable Goods
 - 9.9 vs 5.0 f'cast, -6.9 prev
- Core Durable Goods
 - -0.1 vs 0.0 f'cast, 0.5 prev

Market Movement Recap

- 08:46 AM Modestly weaker overnight and recovering after Durable Goods data. MBS unchanged. 10yr down 0.6bps at 3.794
- 10:01 AM Back into negative territory. MBS down 2 ticks (0.06) and 10yr up 1.7bps at 3.817
- 03:19 PM Sideways in a narrow range since the last update. MBS unchanged and 10yr up 1.4bps at 3.814

Lock / Float Considerations

- Uneventful start to the new week. Not much data this week, but Treasury auction cycle connotes headwinds until Thursday, all other things being equal. Risk/reward is much lower than it will be in the next 2 weeks, but volatility can still occur in response to a few of the AM economic reports--Friday's PCE and Thursday's jobless claims being the most notable.

Technicals/Trends in 10yr (why 10yr)

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

○ 3.95

- Floor/Resistance

- 3.58
- 3.70
- 3.82
- 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

3.815%

+0.015%

2 YR

3.937%

+0.026%

30 YR

4.105%

+0.014%

5 YR

3.665%

+0.017%

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