

MBS & TREASURY MARKETS

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MBS Recap: Uneventful Monday Despite AM Volatility



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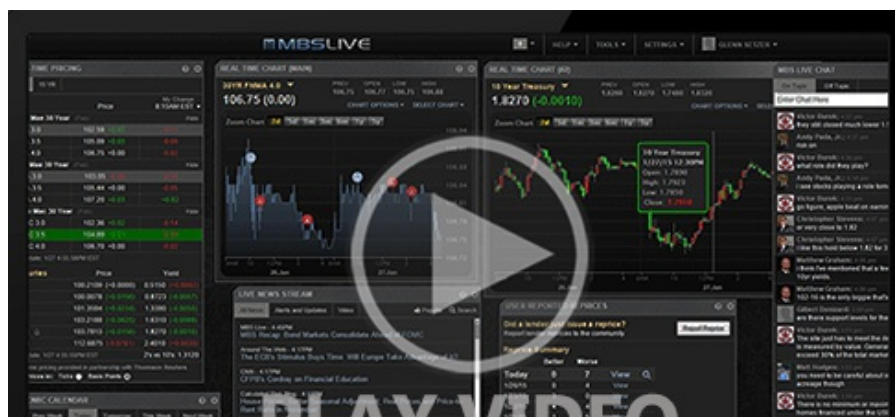
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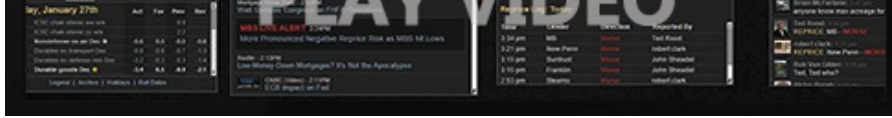


Uneventful Monday Despite AM Volatility

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 trade flows. 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.





Watch the Video

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")
 - 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 | 3.815% | +0.015% |
| 2 YR | 3.937% | +0.026% |
| 30 YR | 4.105% | +0.014% |
| 5 YR | 3.665% | +0.017% |

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