

MBS & TREASURY MARKETS

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MBS Recap: Without Major Data, Bonds Remain Quiet

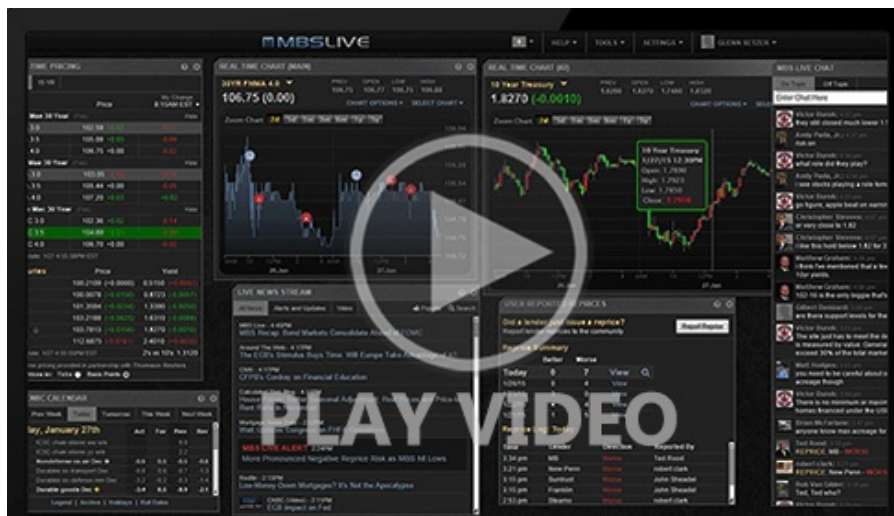


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Without Major Data, Bonds Remain Quiet

MBS Recap | Matthew Graham | 4:08 PM

While it makes riveting analysis a challenge, it's not necessarily a bad thing for the bond market to be incredibly boring sideways right now. After all, we've had a stable run of rates near their longer-term lows for several weeks. Volatility could creep back in with the upcoming economic reports, but today, it was nowhere to be found. Bonds started slightly stronger and drifted slightly weaker throughout the session with MBS not even an eighth of a point away from yesterday's latest levels for the entirety. Data relevance increases sharply on Thursday with Jobless Claims and quarterly PCE (via GDP).



MBS Morning

11:22 AM Light Data Calendar Leaves Focus on 5yr Auction

Alert

2:17 PM Weakest Levels for MBS

Econ Data / Events

- ○ Case Shiller Home Prices
 - up 6.5% y/y vs 6.0% f'cast
 - up 0.6% in June
- FHFA Home Prices
 - down 0.1% in June vs +0.2% f'cast
 - up 5.1% y/y vs 5.3% f'cast
- Consumer Confidence
 - 103.3 vs 100.7 f'cast, 101.9 prev

Market Movement Recap

- 10:19 AM Mostly flat overnight with quick 2-way volatility in the first 2 hours. 10yr unchanged at 3.826. MBS unchanged.
- 01:03 PM No reaction to uneventful 5yr auction. MBS down 1 tick (.03) and 10yr up 1bp at 3.836.
- 01:41 PM Weakest levels. MBS down 2 ticks (.06) and 10yr up 1.2 bps at 3.84

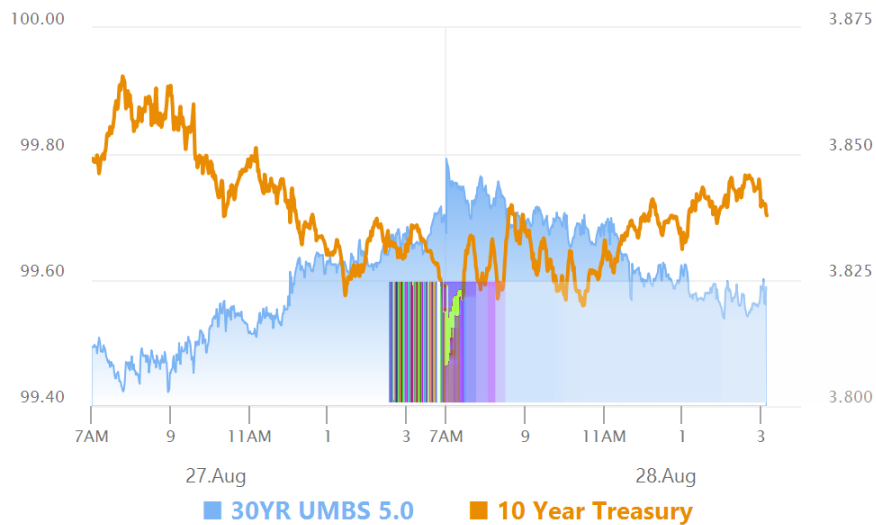
Lock / Float Considerations

- 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.

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 5.0
30YR UMBS 5.5
30YR GNMA 5.0
15YR UMBS-15 5.0

US Treasuries

10 YR	3.838%	+0.011%
2 YR	3.866%	-0.036%
30 YR	4.128%	+0.007%
5 YR	3.664%	+0.006%

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