

MBS & TREASURY MARKETS

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MBS Recap: A Clear Reaction to Data Without Any Major Drama



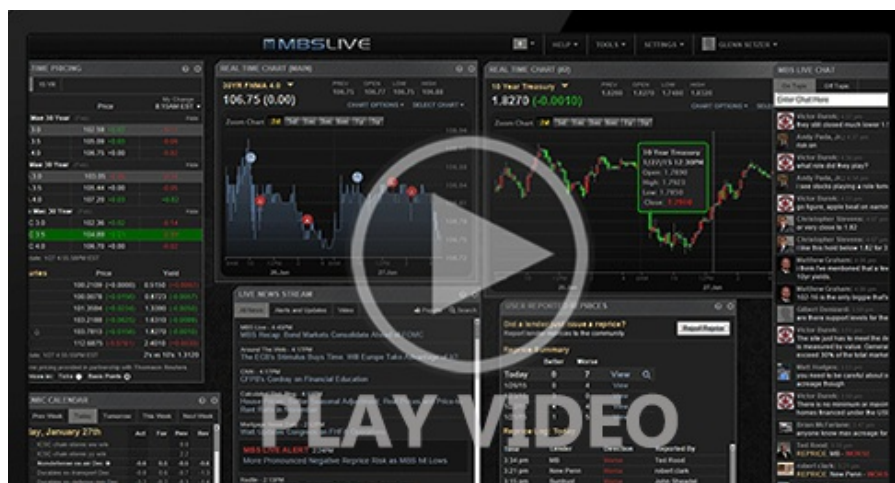
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A Clear Reaction to Data Without Any Major Drama

MBS Recap | Matthew Graham | 4:59 PM

After this morning's initial reaction to Initial Jobless Claims, the rest of the day was uneventful and sideways. By 9:00am, 10yr yields had risen about 4bps to 3.866--which was the exact same level seen at the 3pm close. MBS outperformed in day over day terms, but had a distinct moment of underperformance just after 3pm. From here, we get into consistent daily doses of big ticket econ data culminating in next Friday's jobs report. Volatility potential is increasing accordingly.



Update

8:36 AM Bonds Losing Ground After 8:30am Data

MBS Morning

10:25 AM Today's Losses Are All About Jobless Claims

Update

3:43 PM MBS at Weakest Levels, Underperforming

Econ Data / Events

- ○ Jobless Claims
 - 231k vs 232k f'cast, 233k prev
- Continued Claims
 - 1868k vs 1870k f'cast
- GDP
 - 3.0 vs 2.8 f'cast,
- GDP Deflator
 - 2.5 vs 2.3 f'cast, 3.1 prev
- Core PCE Prices (q/q annualized)
 - 2.8 vs 2.9 f'cast

Market Movement Recap

- 08:48 AM Modestly stronger overnight but losing ground after 8:30am data. MBS down 2 ticks (.06) and 10yr up 3bps at 3.866.
- 11:20 AM weakest levels with MBS down an eighth and 10yr up 4.3bps at 3.879
- 02:34 PM small rally in PM hours. MBS down only 2 ticks and 10yr up 2.9bps at 3.864
- 04:51 PM Off the weakest levels heading into the close with MBS down 3 ticks (.09) and 10yr yields up 2.7bps at 3.863

Lock / Float Considerations

- After Thursday's jobless claims data, bonds/rates remain well within the prevailing range. But the obvious responsiveness to the data suggests heightened volatility potential every day between now and next Friday's jobs report. Given that these levels have been well established, there's no directional implication from short term **technicals**. The next move should truly depend on the data.

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

US Treasuries

| | | |
|-------|--------|---------|
| 10 YR | 3.862% | +0.026% |
|-------|--------|---------|

2 YR
30 YR
5 YR

3.896%
4.146%
3.668%

+0.031%
+0.020%
+0.003%

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