

MBS & TREASURY MARKETS

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MBS Recap: Month-End Volatility, But No Bearing on Bigger Picture



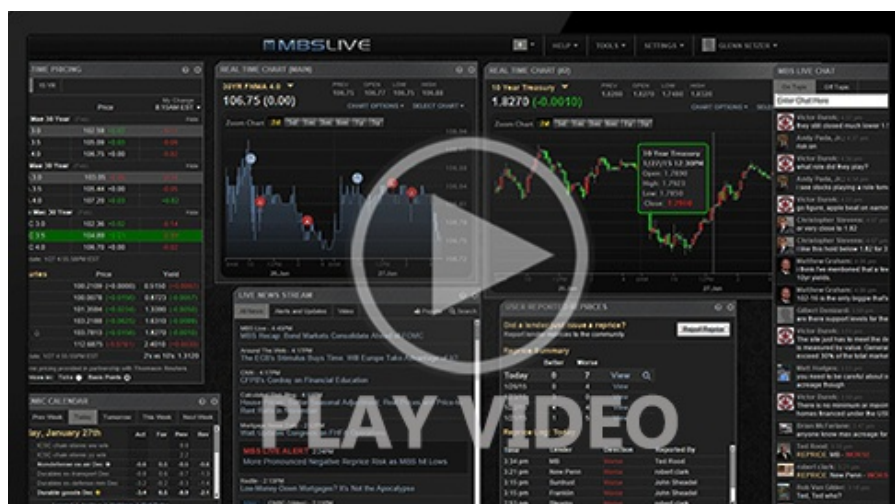
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Month-End Volatility, But No Bearing on Bigger Picture

MBS Recap | Matthew Graham | 4:29 PM

It was a deceptively interesting Friday for the bond market with month-end trading creating volatility that seemed relevant at first glance. Those trades easily overshadowed the calmer market movement seen in the morning hours following the PCE data, but that was a very low bar. In the grand scheme of month-end trading days (especially those that fall on the Friday before a 3 day weekend), today's volatility was average. Next week holds far more promise to shape the debate over a 25 vs 50bp Fed rate cut and, consequently, the next big move for the bond market.



Update

8:34 AM Core PCE in Line With Expectations. Minimal Reaction

MBS Morning

9:14 AM PCE Inflation Offers No Objections to 25bp Cut

Alert

12:20 PM Down an Eighth From Highs

Econ Data / Events

- ○ M/M Core PCE
 - 0.2 vs 0.2 f'cast, 0.2 prev
- Y/Y Core PCE
 - 2.6 vs 2.7 f'cast
- Chicago PMI
 - 46.1 vs 45.5 f'cast, 45.3 prev
- Consumer Sentiment
 - 67.9 vs 68.0 f'cast, 66.4 prev
- 1yr inflation expectations
 - down 0.1%

Market Movement Recap

- 08:51 AM Flat overnight and modestly/paradoxically weaker after PCE data. MBS down 3 ticks (.09) and 10yr up 1.7bps at 3.878
- 12:20 PM small but quick selling pressure just now with 10yr up 3.2bps at 3.893. MBS down 5 ticks (.16) on the day.
- 04:17 PM Sharply weaker in the PM hours and now recovering a bit after month-end trades run their course. MBS down 3 ticks (.09) and 10yr yields up 4.1bps at 3.903

Look / Float Considerations

Lock / Float Considerations

- Potential volatility exists on every trading day between now and the jobs report on Friday 9/6. Given that these levels have been well established, there's no directional implication from short term technicals. Apart from some compulsory "new month" trading on Tuesday, it should be econ data that sets the tone going forward.

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	3.908%	+0.046%
2 YR	3.919%	+0.026%
30 YR	4.106%	+0.050%

30 YR
5 YR

4.190%
3.705%

+0.030%
+0.039%

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