

MBS & TREASURY MARKETS

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



Faisal Momin

Mortgage Loan Officer,
Keyalo Capital Solutions

www.keyalocapital.com

P: (281) 948-2967

faisal@keyalocapital.com

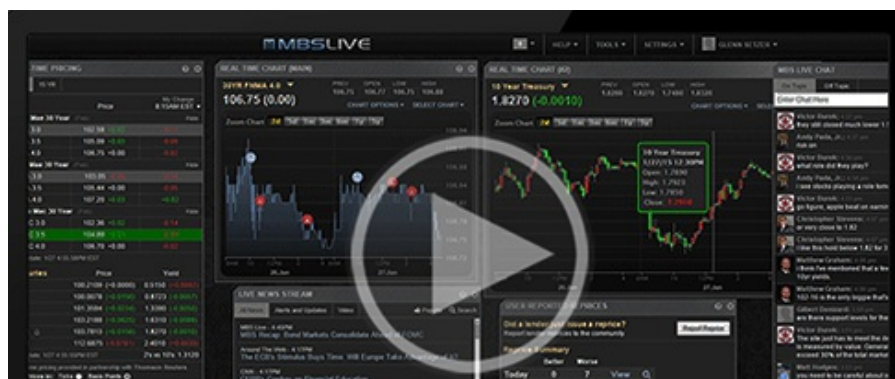
12808 W. Airport Blvd
Sugar Land Texas 77478
2351128



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.





Watch the Video

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

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
2 YR
30 YR
5 YR

3.908%
3.919%
4.196%
3.705%

+0.046%
+0.026%
+0.050%
+0.039%

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