

MBS & TREASURY MARKETS

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MBS Recap: Holding Last Week's Gains as Bonds Wait For Actionable Info



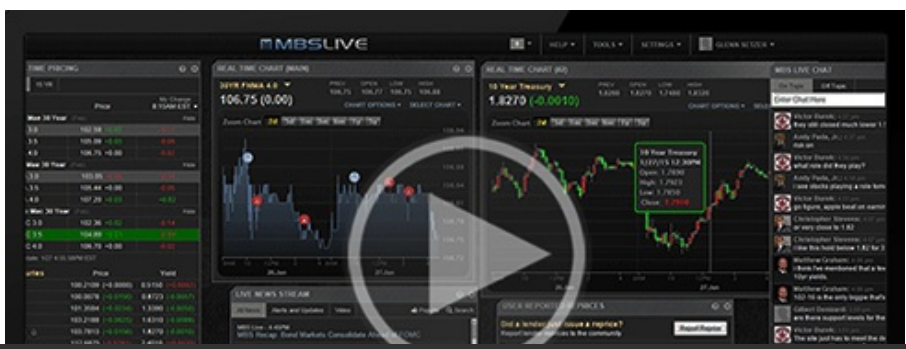
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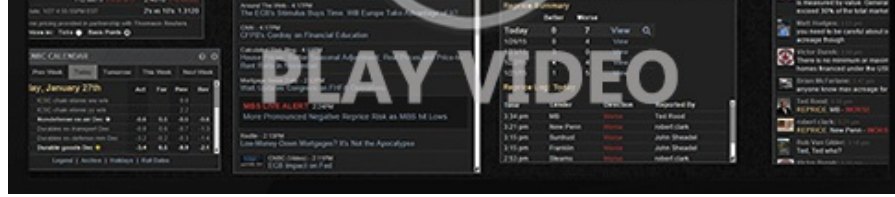


Holding Last Week's Gains as Bonds Wait For Actionable Info

MBS Recap Matthew Graham | 4:15 PM

Monday was an anticlimactic session relative to the average day offered up last week. Friday was especially important as the market's anxiety over picking a size of the upcoming rate cut was on full display. Fed Funds Futures didn't move much today and that's not a surprise considering the absence of actionable info. There were no big ticket economic reports and no Fed speakers (they're in the blackout period--a customary 12 calendar days with no public comment on rate policy leading up to Fed day). It will be interesting to see if bonds will give much credit to economic data when we get CPI, PPI, and Jobless Claims on Wed/Thu. If Friday was any clue, traders cared more about the Fed's interpretation than the data itself. Now that we cannot get any additional Fed comments, perhaps the data will get a vote.





Watch the Video

MBS Morning

11:21 AM Sideways Start. Auctions and Inflation in Focus

Market Movement Recap

- 08:47 AM Modestly weaker overnight with bonds opening near the higher-yield end of Friday's range. 10yr up 3.3bps at 3.741. MBS down 6 ticks (.19).
- 01:08 PM Into stronger territory in PM hours. MBS up 3 ticks. 10yr down 0.7bps at 3.702
- 03:28 PM Little changed into the close. MBS up 2 ticks (.06) and 10yr down almost 1bp at 3.7

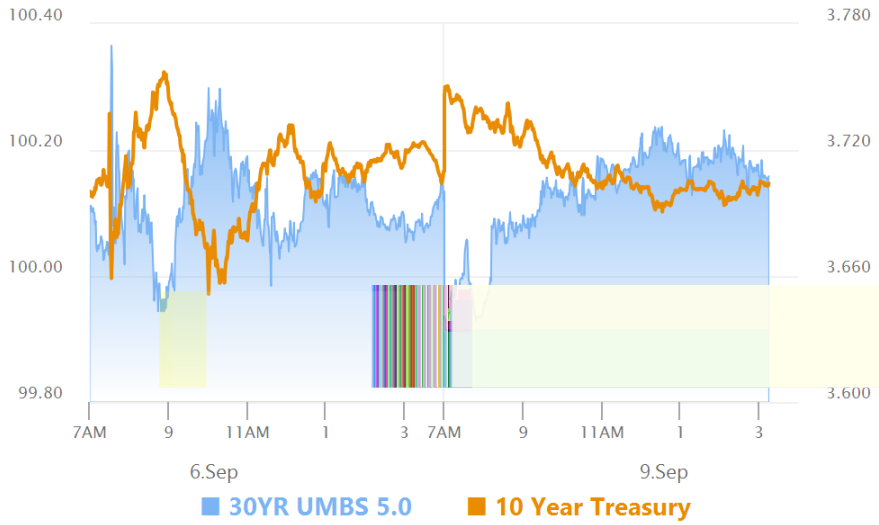
Lock / Float Considerations

- Friday's jobs report painted a bleaker picture for the labor market--something that's generally in line with stronger rate momentum. There's some question as to how much of that picture was already priced in beforehand. With rates at the lowest levels in more than 1.5 years and a Treasury auction cycle coming up, risk-averse clients aren't crazy to take chips off the table in the short term. Risk tolerant clients will generally wait for something more threatening to happen at times like this.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
 - o 3.95
 - o 3.87
 - o 3.82
 - o 3.77
 - o 3.72
- Floor/Resistance
 - o 3.58
 - o 3.66

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	3.705%	-0.004%
2 YR	3.678%	+0.032%
30 YR	4.005%	-0.015%
5 YR	3.493%	+0.004%

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