

MBS & TREASURY MARKETS

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MBS Recap: Will The Market Still Care About CPI?



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Will The Market Still Care About CPI?

MBS Recap | Matthew Graham | 4:25 PM

Ask anyone who's been following the rate market for many years what the most important economic report is and you're far more likely to hear "the jobs report" than any other answer. But at many times over the past 2-3 years, the Consumer Price Index (CPI) was arguably top dog. This only began changing a few months ago, but it has certainly changed. The question is whether there is still any major anxiety left for CPI. If it weren't for the fact that this is one of the only big ticket reports that comes out in the blackout period leading up to a Fed rate cut where the size of said cut is a matter of debate, we would confidently say CPI is almost completely inconsequential. But because of all that "stuff," we can't rule out a volatile response to a big beat/miss.





Watch the Video

MBS Morning

10:36 AM So Far So Good as Bonds Wait on Data and Volatility

Market Movement Recap

- 09:07 AM Slightly weaker overnight, but bouncing back now. MBS up 2 ticks (.06) and 10yr unchanged at 3.70
- 01:27 PM Steady, modest gains into PM hours. MBS up 5 ticks (.16) and 10yr down 4.6bps at 3.654
- 03:56 PM At best levels after hours. MBS up a quarter point. 10yr down 6bps at 3.641

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 | 3.640% | -0.060% |
| 2 YR | 3.598% | -0.071% |
| 30 YR | 3.955% | -0.046% |
| 5 YR | 3.423% | -0.065% |

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