

MBS & TREASURY MARKETS

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MBS Recap: Modest Resistance, But No Big Bad Correction



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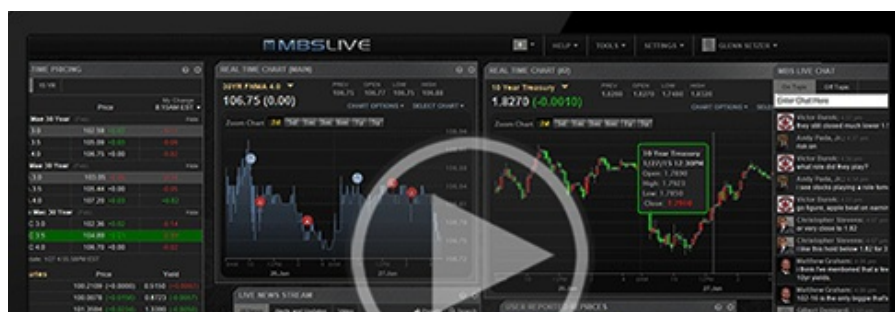
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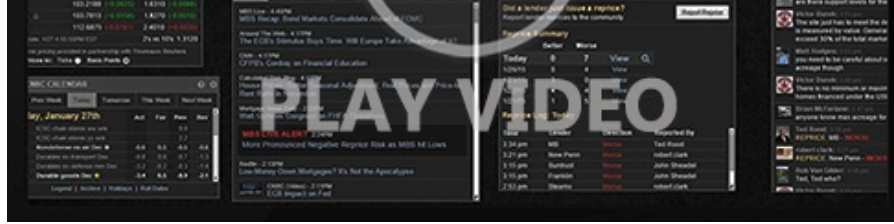


Modest Resistance, But No Big Bad Correction

MBS Recap | Matthew Graham | 4:33 PM

Unless Friday's Consumer Sentiment data manages to surprise in some completely unprecedented way, bonds have made it through the week of economic reports and Treasury auctions without looking any worse for the wear. Thursday saw a small amount of ground conceded, but not enough to move yields back up in to last week's range. The initial reaction to the 8:30am data was actually slightly positive for bonds. Selling came later, suggesting sellers had other motivations. The recovery in the afternoon was concentrated in the shorter end of the yield curve following an article by WSJ's Timiraos discussing a 25bp vs 50bp Fed rate cut.





Watch the Video

Update

8:36 AM Minimal Reaction to Mixed Data

MBS Morning

10:43 AM Mixed Bag of Econ Data. Mixed Market Reaction. Rally Looking Tired

Alert

12:20 PM Weakest Levels of The Day

Econ Data / Events

- ○ Jobless Claims
 - 230k vs 230k f'cast, 227k prev
- Core PPI MM
 - 0.3 vs 0.2 f'cast, -0.2 prev
- Core PPY YY
 - 2.4 vs 2.5 f'cast, 2.4 prev

Market Movement Recap

- 08:54 AM Roughly unchanged overnight and a hair stronger after data. MBS up 2 ticks (.06) and 10yr down 0.7bps at 3.647
- 01:13 PM weakest levels just after noon, but off the lows now. MBS down an eighth and 10yr up 4.2 bps at 3.696
- 02:55 PM MBS now down only 1 tick (.03) and 10yr up 2.7bps at 3.681

Lock / Float Considerations

- With bonds weathering this week's data and Treasury auction in unchanged territory, risk-tolerant floaters have yet to see the sort of big bad movement that would compel them to take chips off the table. The exception would be for those who've floated and feel like they're pressing their luck. Risk averse clients are always compelled by the lowest rates in more than a year, even if the trend has been friendly. Indeed, it is worth considering that even friendly trends occasionally meet technical resistance in order to reset and continue. The more we improve, the more one might be concerned about seeing such a consolidation.

Technical/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 3.682% +0.028%

| | | |
|-------|--------|---------|
| 10 YR | 3.882% | +0.028% |
| 2 YR | 3.653% | +0.013% |
| 30 YR | 3.995% | +0.027% |
| 5 YR | 3.474% | +0.023% |

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