

MBS & TREASURY MARKETS

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MBS Recap: Fed Week Uncertainty Makes For Logical Consolidation



Richard Ray
Managing Partner, Caliver Beach Mortgage
Caliver Beach Mortgage
P: (240) 552-5369
M: (202) 390-4483
500 Redland Court Suite 300
Owings Mill 21117
NMLS License Look Up
Zillow Ratings



Fed Week Uncertainty Makes For Logical Consolidation

MBS Recap | Matthew Graham | 4:16 PM

Bonds rallied sharply just over a month ago following a downbeat jobs report and other data. They then consolidated ahead of the early September data before rallying just a bit more. The present week didn't add much to the broader context and thus presented a good opportunity for another consolidation ahead of a week that's sure to spark some volatility. Friday's only hope was Consumer Sentiment and it was not up to the task of raising any heart rates. Bonds began the day in modestly stronger territory and are going out the door at almost the exact same levels.





Watch the Video

MBS Morning

10:39 AM No Impact From Consumer Sentiment

Econ Data / Events

- ○ Consumer Sentiment
 - 69.0 vs 68.0 f'cast, 67.9 prev
- 1yr inflation expectations
 - 2.7 vs 2.8 f'cast, 2.8 prev

Market Movement Recap

- 10:30 AM Slightly stronger overnight and giving back some gains in AM hours. MBS still up 1 tick (.03) and 10yr down 1.1bps at 3.664.
- 12:55 PM Bouncing back into positive territory into the PM hours. MBS up an eighth and 10yr down 2.6bps at 3.649
- 02:31 PM New highs for MBS, up 5 ticks (.16). 10yr down 2.9bps at 3.645

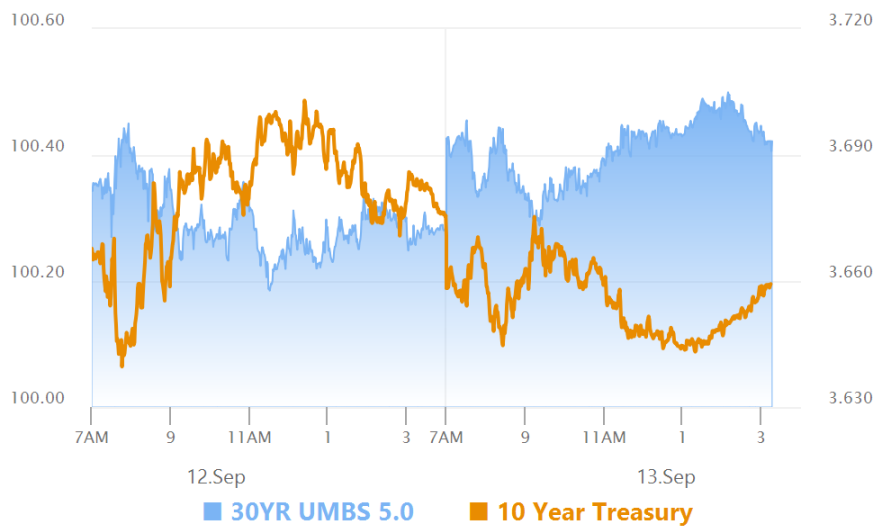
Lock / Float Considerations

- 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 | 3.659% | -0.015% |
| 2 YR | 3.588% | -0.054% |
| 30 YR | 3.985% | -0.003% |
| 5 YR | 3.436% | -0.029% |

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