

MBS & TREASURY MARKETS

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MBS Recap: Just Another Day of Waiting



Gina Mancuso
Luxury Real Estate
Professional, Gina Mancuso
Luxury Real Estate

northcountyproperties.com/team

P: (619) 757-6629

M: (619) 757-6629

2002 Jimmy Durante Blvd Suite
100

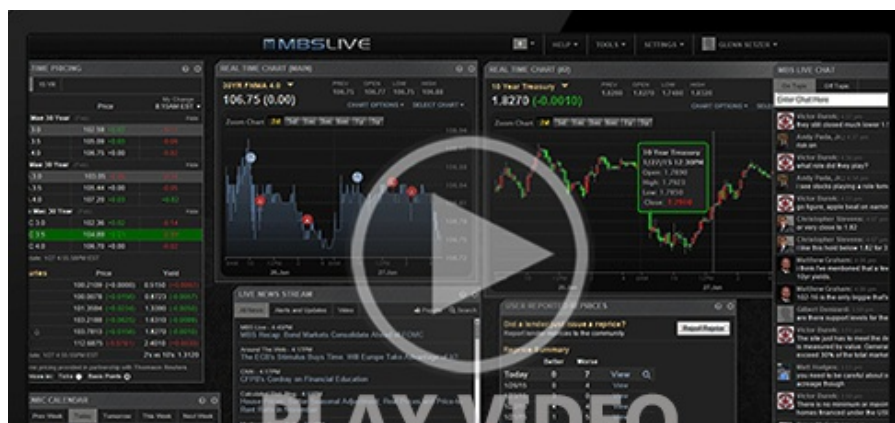
Del Mar CA 92014

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Just Another Day of Waiting

MBS Recap | Matthew Graham | 4:04 PM

Bonds started stronger, retraced back to 'unchanged' following the manufacturing data, and proceeded to grind out moderate gains by the end of the day. It was a reasonably strong result given the absence of bullish impetus for bonds, but not one that falls outside the range of yields established during last week's volatile consolidation. Fed Funds Futures notably rallied such that the 50bp rate cut is once again the leading candidate. This is a product of trader ruminations and speculation rather than the data. Between Timiraos's article last week, and Dudley's this morning, the market thinks it's being given clues from insiders.





Watch the Video

Update

9:06 AM Bonds Surprisingly Willing to Sell After NY Fed Manufacturing Data

MBS Morning

12:06 PM Starting Out Fairly Flat, But Give it a Few Days...

Econ Data / Events

- ○ NY Fed Manufacturing
 - 11.5 vs -3.9 fcast, -4.7 prev

Market Movement Recap

- 08:52 AM moderately stronger overnight but losing some ground after NY Fed Manufacturing data of all things! MBS unchanged and 10yr up 0.2bps at 3.658
- 12:31 PM Steady near stronger levels. MBS up 3 ticks (.09) and 10yr down 2.2bps at 3.632
- 02:42 PM No major changes from last update. Just a hair stronger. MBS up an eighth and 10yr down 3bps at 3.624

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	3.619%	-0.035%
2 YR	3.560%	-0.025%
30 YR	3.932%	-0.050%
5 YR	3.405%	-0.029%

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