

MBS & TREASURY MARKETS

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MBS Recap: MBS Easily Outperform Longer-Term Treasuries



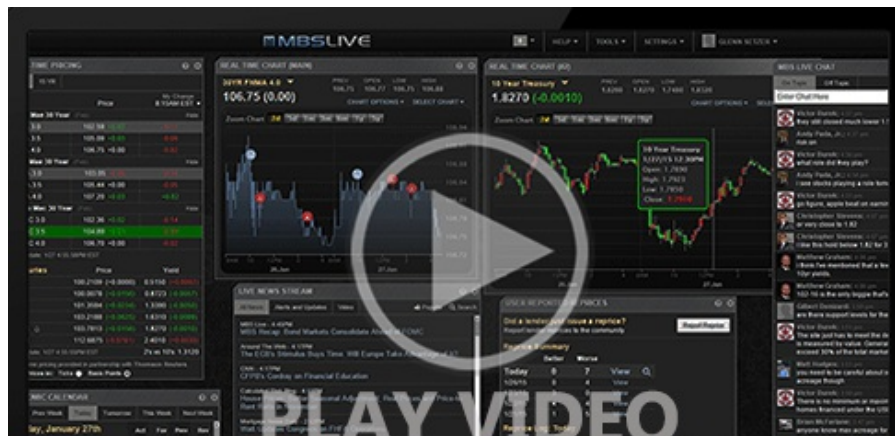
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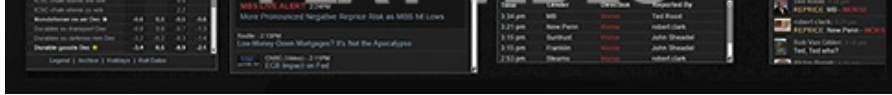


MBS Easily Outperform Longer-Term Treasuries

MBS Recap | Matthew Graham | 4:01 PM

Few market watchers would have guessed that MBS would have held almost perfectly sideways since the start of trading on Wednesday this week. Sure, there's been just over an eighth of a point of movement in either direction, but prices are ending the day right in line with yesterday morning's opening levels. Today's econ data presented some early headwinds, but they were overcome in short order. MBS did especially well versus 10yr Treasuries due to the fact that MBS move more like shorter-term Treasuries these days (and shorter-term Treasuries were rallying).





Watch the Video

Alert

8:37 AM Slightly Weaker After AM Econ Data

MBS Morning

3:37 PM Mixed Reaction to Econ Data; Surprisingly Calm Post-Fed Day

Econ Data / Events

- ○ Jobless Claims
 - 219k vs 230k f'cast, 231k prev
- Philly Fed Index
 - 1.7 vs -1.0 f'cast -7.0 prev

Market Movement Recap

- 08:37 AM MBS are down a quick 2 ticks (.06) and 10yr yields are up 5.1bps at 3.754
- 12:47 PM Off the weakest levels and sideways. MBS down only 1 tick (0.03) and 10yr up 4.3bps at 3.745
- 03:31 PM Slightly better over the past few hours. MBS up 1 tick (.03). 10yr up 2.3bps at 3.725

Lock / Float Considerations

- Until it can be ruled out, there's a risk that Fed day helped define a lower boundary to the prevailing rate range in the short term. This advocates a lock bias for most clients--one that could be reconsidered if rates break to new lows in the coming days. Bigger picture movement relies on the econ data in early October, absent an unexpected, exogenous shock.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")

- 3.95
- 3.87
- 3.82
- 3.77
- 3.72

- Floor/Resistance
- 3.58
- 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 | 3.718% | +0.017% |
| 2 YR | 3.586% | -0.034% |
| 30 YR | 4.053% | +0.029% |
| 5 YR | 3.486% | +0.002% |

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