

MBS & TREASURY MARKETS

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MBS Recap: Modestly Weaker But Ultimately Uneventful



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Modestly Weaker But Ultimately Uneventful

MBS Recap | Matthew Graham | 4:20 PM

In terms of the realized volatility relative to potential volatility, this week turned out to be about as calm as we could have possibly imagined. It is truly stunning that we will not be able to look back on daily bond market charts and pick out the most interesting Fed meeting in years. As for Friday, it was void of data and serendipitously weaker for bonds. One could argue that it's a simple continuation of "selling the news" after "buying the rumor," but we'd argue motivations don't matter when we're only counting a few bps of weakness in 10yr yields that leave us at levels that are still lower than all but a week and a half of the past year and a half.





Watch the Video

MBS Morning

10:32 AM Bonds Continue "Selling The News"

Alert

10:36 AM MBS Down More Than an Eighth of a Point

Update

12:04 PM Erasing Most of The Weakness After Waller Comments

Alert

4:15 PM Back Near Weaker Levels

Econ Data / Events

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

Market Movement Recap

- 09:50 AM Slightly weaker overnight with additional selling early. 10yr up 3.4bps at 3.746 and MBS down 2 ticks (.06)
- 10:38 AM Additional losses in 10am hour. MBS down 5 ticks (.16) and 10yr up 4.6bps at 3.757
- 12:01 PM Bouncing back on Waller comments. MBS down only 2 ticks (.06) and 10yr up 2.5bps at 3.737
- 04:05 PM Slipping a bit again with MBS down 5 ticks (.16) and 10yr up 2.6bps at 3.738

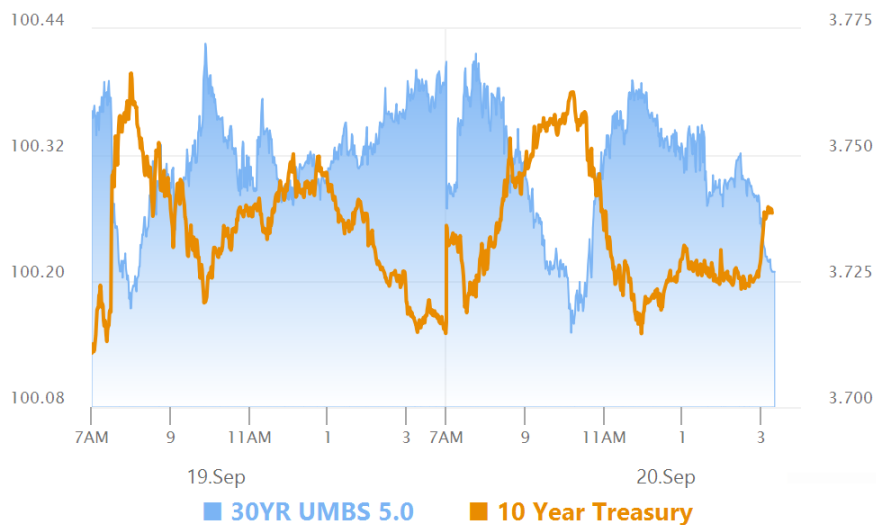
Lock / Float Considerations

- 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.

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

3.739%

+0.027%

2 YR
30 YR
5 YR

3.589%
4.081%
3.496%

+0.008%
+0.033%
+0.006%

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