

MBS & TREASURY MARKETS

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MBS Recap: Post Fed Correction Leveling Off?



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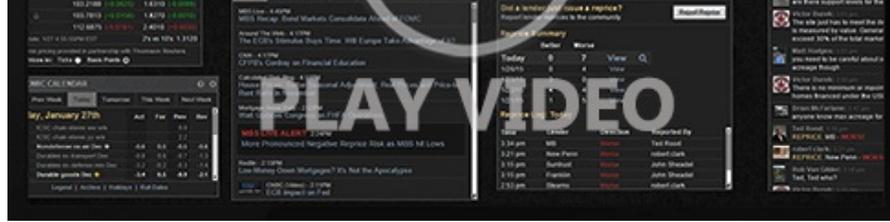


Post Fed Correction Leveling Off?

MBS Recap | Matthew Graham | 4:56 PM

Based on the weakness in the bond market this morning, it looked as if the post-Fed correction that began last week was set to continue into the new week. And while that indeed may prove to be the case, there's some room for doubt after the close. Bonds rallied nicely in the late AM and early PM hours with both Treasuries and MBS making it back to unchanged levels. They've faded a bit after that, but not nearly back to the mid-day lows. Comments from Fed's Goolsbee lined up with the reversal, but the volume behind the move suggests that may not have been the primary motivation. In any event, the milder weakness builds a case for the post-Fed correction potentially leveling off. Tuesday will be more telling in that regard.





Watch the Video

Update

9:50 AM Losing Some Ground After S&P PMI Data

MBS Morning

10:42 AM Off to a Weaker Start as Post-Fed Correction Continues

Econ Data / Events

- ○ S&P Services PMI
 - 55.4 vs 55.3 f'cast, 55.7 prev
- S&P Manufacturing PMI
 - 47.0 vs 48.5 f'cast 47.9 prev

Market Movement Recap

- 09:55 AM Slightly weaker overnight and additional losses after PMI data. 10yr up 4bps at 3.781. MBS down 6 ticks (.19).
- 02:06 PM Back to "unchanged" in MBS and nearly there in 10yr yields, currently up 0.1bps at 3.741.
- 03:42 PM Sideways for most of the PM hours. MBS down 1 tick (.03) and 10yr up 0.3bps at 3.744

Lock / Float Considerations

- Risk tolerant clients are now starting to consider that the post-Fed correction may be leveling off and risk/reward is falling into better balance. Risk averse clients are still taking advantage of rates that aren't far above long-term lows. In either case, only modest movement is at stake. 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	3.751%	+0.011%
2 YR	3.588%	-0.008%
30 YR	4.096%	+0.015%
5 YR	3.508%	+0.009%

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