

MBS & TREASURY MARKETS

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MBS Recap: Is it Time to Worry About Bond Market Losses?

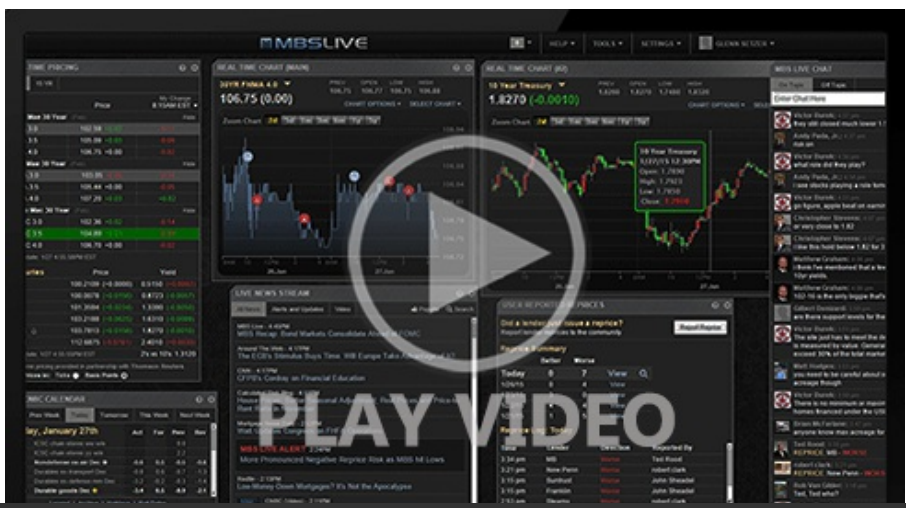


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Is it Time to Worry About Bond Market Losses?

MBS Recap | Matthew Graham | 4:48 PM

Ever since Fed day, it seems the bond market only really knows how to move in one direction (and it's not the direction that most of us prefer, even if it's necessary to maintain order in the universe). The post-Fed correction is arguably necessary, but the question is whether it says anything about the future. Simply put: no. The next major move for rates has been and continues to be all about economic data. This correction has been a mild, temporary diversion--even if it continues for another week at the same pace.



Alert

11:33 AM New Lows For MBS

MBS Morning

11:35 AM Bonds Remain Tentative Without Fresh Supply of Downbeat Data

Alert

1:28 PM Modest Additional Weakness

Econ Data / Events

- ○ New Home Sales
 - 716k vs 700k f'cast, 751k prev
- 5yr Treasury auction
 - right in line with expectations

Market Movement Recap

- 09:39 AM Moderately weaker overnight, mostly in Europe. MBS down an eighth and 10yr up 3.7bps at 3.766
- 10:32 AM More weakness after early recovery. MBS down 6 ticks (.19) and 10yr up 4.7bps at 3.776
- 01:21 PM Slightly weaker after 5yr auction. 10yr up 5.2bps at 3.781. MBS down a quarter point
- 03:57 PM Fresh lows for MBS, down 9 ticks (.28) on the day. 10yr up 5.7bps at 3.788

Lock / Float Considerations

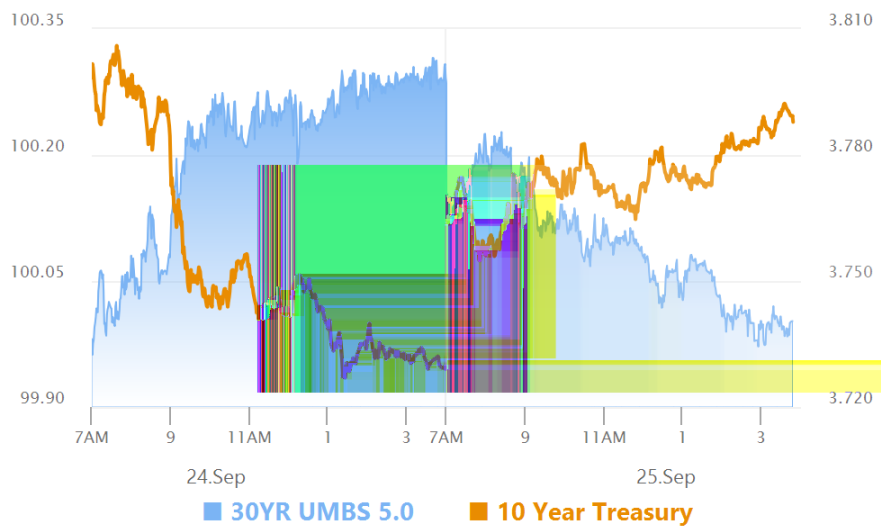
- After mixed signals on Tuesday, the post-Fed bond market correction remains intact (i.e. bad for rates). Risk averse clients are waiting for better evidence that the correction has run its course. Risk tolerant clients are rolling the dice on weak econ data over the next 2 days. Results could push rates in either direction, but the biggest movement is reserved for the jobs report next Friday.

Technicals/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	3.788%	+0.059%
2 YR	3.559%	+0.020%
30 YR	4.144%	+0.060%
5 YR	3.524%	+0.056%

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