

MBS & TREASURY MARKETS

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MBS Recap: More Resilient Today, But It's Still All About Data



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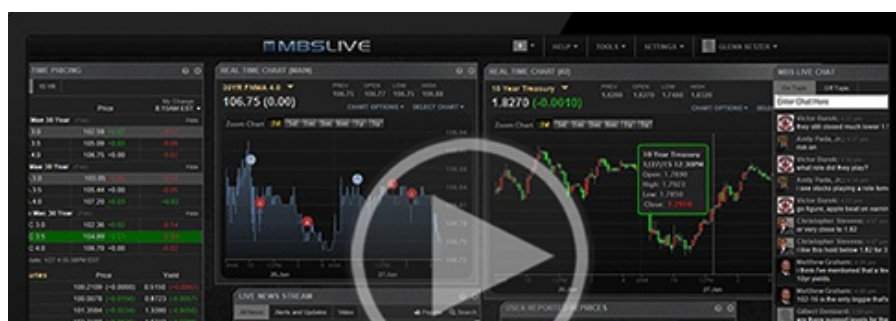
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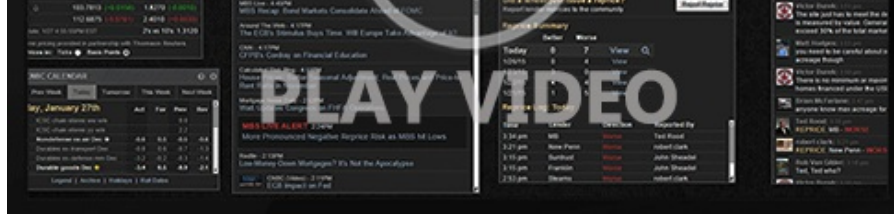


More Resilient Today, But It's Still All About Data

MBS Recap | Matthew Graham | 5:05 PM

The bond market is still searching for its identity in the wake of last week's Fed announcement. Monday and Tuesday saw relatively big volatility in the morning with calmer, stronger afternoons--something that fueled hopes that the post-Fed correction was over. Wednesday saw overnight losses with more weakness throughout the day, thus suggesting the post-Fed correction could still be alive. Thursday had a bit of everything: gains overnight, early losses and a decent afternoon recovery. The only constant has been the ability of relevant econ data to set the trading tone.





Watch the Video

Alert

8:35 AM Losing Overnight Gains After Stronger Claims Data

Alert

10:32 AM MBS Down to New Lows

MBS Morning

11:41 AM Stronger Data Saps Overnight Gains

Econ Data / Events

- ○ Jobless Claims
 - 218k vs 225k f'cast, 219k prev
- Durable Goods
 - 0.0 vs -2.6 f'cast, 9.8 prev
- Core Durable Goods
 - 0.2 vs 0.0 f'cast, -0.2 prev
- GDP (Q2, revision)
 - 3.0 vs 3.0 prev

Market Movement Recap

- 09:39 AM Stronger overnight, weaker after data and now back near unchanged.
- 10:28 AM Back to weakest levels now. 10yr up 2.5bps at 3.81 and MBS down an eighth.
- 01:31 PM modest friendly bounce just before and after the 7yr auction (not necessarily because of it). 10yr up 1.2bps at 3.797 and MBS unchanged.
- 04:12 PM No major changes since the last update. MBS down 1 tick (0.03) and 10yr up 1bp at 3.794

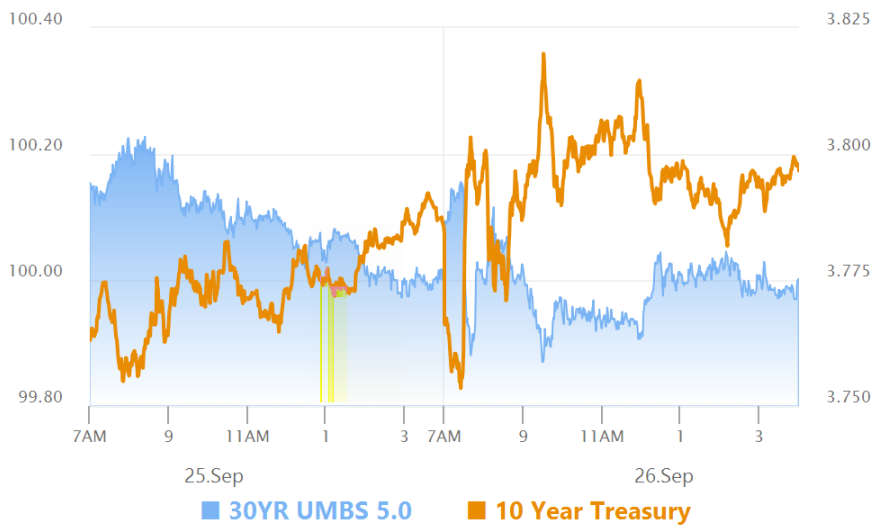
Lock / Float Considerations

- 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.

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
2 YR
30 YR
5 YR

3.796%
3.630%
4.131%
3.567%

+0.012%
+0.081%
-0.007%
+0.043%

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