

MBS & TREASURY MARKETS

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MBS Recap: Finally Cooling Off Just in Time to Heat Up Again



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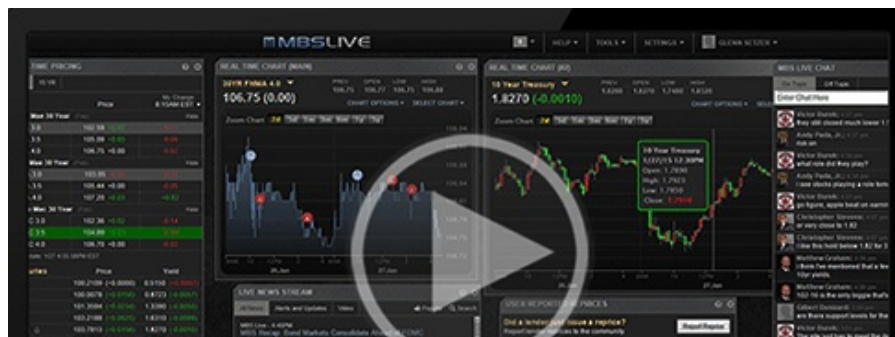
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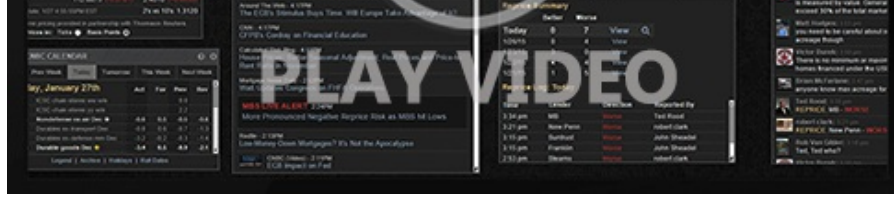


Finally Cooling Off Just in Time to Heat Up Again

MBS Recap | Matthew Graham | 5:21 PM

Much of the past week has been spent monitoring the "post-Fed correction"--a nominal pull back in the impressive rate rally of the past several months following last week's Fed announcement. If you prefer "buy the rumor, sell the news" on the Fed rate cut, it's the same thing. By the end of this week, the correction finally looked to have leveled off, even if it got a bit of help from cooperative econ data. The timing is frustrating for those looking to predict the future as next week brings us even more squarely into a data-driven episode for bonds/rates. The not-so-frustrating thing is that the correction was never very large (downright small, even).





Watch the Video

Update

8:36 AM PCE Comes in Just Below Forecasts. Bonds Aren't Mad

MBS Morning

12:05 PM Inflation Data No Longer The Big To-Do, But At Least It's Not Hurting

Econ Data / Events

- ○ M/M Core PCE
 - 0.1 vs 0.2 fcast, 0.2 prev
 - Unrounded 0.13
- Y/Y Core PCE
 - 2.7 vs 2.7 fcast, 2.6 prev
- Consumer Sentiment
 - 70.1 vs 69.3 fcast, 67.9 prev

Market Movement Recap

- 08:37 AM slightly stronger after PCE. 10yr yields are down 2.9bps at 3.769 and MBS are up an eighth of a point.
- 11:03 AM Giving up early gains. MBS up only 2 ticks (.06) and 10yr down 2.3bps at 3.773
- 12:45 PM Best levels of the day now with MBS up 7 ticks (.22) and 10yr down 5.3bps at 3.743
- 05:18 PM Heading out at the day's best levels or close to it. MBS up 6 ticks (.19). 10yr down 4.6bps at 3.75

Lock / Float Considerations

- The post-Fed correction is now arguably winding down just in time for the coming week of data to set the tone. Risk averse clients are waiting for better evidence of new rally momentum. Risk tolerant

the tone. Risk averse clients are waiting for better evidence of new rally momentum. Risk tolerant clients are rolling the dice on weak econ data. 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 | 3.750% | -0.047% |
| 2 YR | 3.555% | -0.073% |
| 30 YR | 4.103% | -0.027% |
| 5 YR | 3.503% | -0.065% |

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