

MBS & TREASURY MARKETS

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MBS Recap: Bonds Unexpectedly Forced to Focus on War Instead of Data



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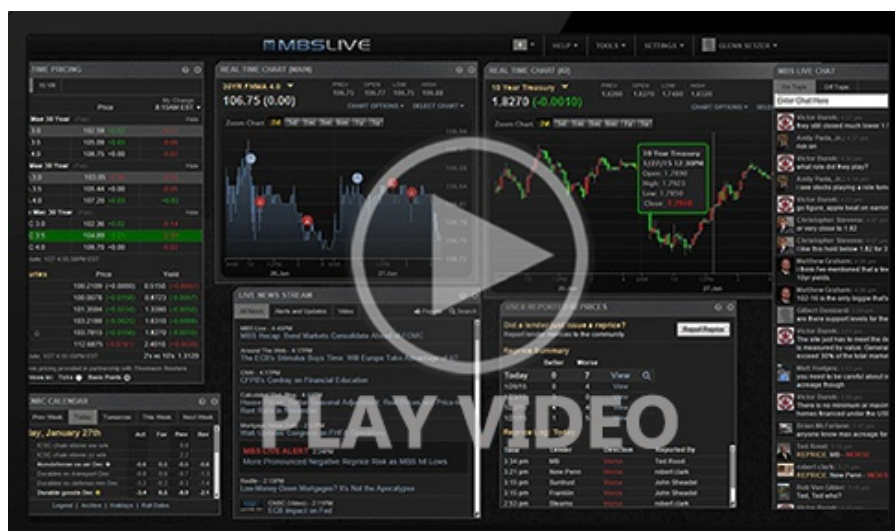
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Bonds Unexpectedly Forced to Focus on War Instead of Data

MBS Recap | Matthew Graham | 4:24 PM

Just 30 minutes before the month's most important week of economic data was about to hit its stride, headlines hit the newswires regarding an imminent missile attack on Israel. While various iterations of such headlines are unfortunately common, these examples got the market's attention, resulting in a quick "flight to safety" trade (stock prices and bond yields moved lower). When the AM econ data came out 30 minutes later, the impact on bonds was insignificant by comparison. The initial flight to safety was unwound in the afternoon, but bonds remained in moderately stronger territory on the day.



Watch the Video

Update

9:49 AM Bonds Rallying on Israel/Iran Headlines

MBS Morning

11:30 AM Mixed Reaction to Mixed Data After Early Flight to Safety

Alert

2:01 PM MBS Down to Lows of The Day

Econ Data / Events

- ○ S&P Manufacturing PMI
 - 47.3 vs 47.0 f'cast, 47.9 prev
- ISM Manufacturing
 - 47.2 vs 47.5 f'cast, 47.2 prev
- ISM Prices Paid
 - 48.3 vs 53.3 f'cast, 54.0 prev
- Job openings
 - 8.04m vs 7.66m f'cast, 7.71m prev
- Job quits
 - 3.084 vs 3.27m prev (lower is better for rates)

Market Movement Recap

- 10:30 AM Flight to safety rally after Israel/Iran headlines and then flat after data. MBS up 5 ticks (.16) and 10yr down 7.9bps at 3.704
- 01:03 PM strongest levels for MBS with 5.0 up a quarter point. 10yr down 7.2bps at 3.711
- 02:03 PM weakest levels now with MBS still up 2 ticks (.06) and 10yr down 4.4bps at 3.739
- 03:46 PM Off the weakest levels now. MBS up an eighth and 10yr down 4.3bps at 3.74.

Lock / Float Considerations

- The post-Fed correction is officially over and bonds are now at the whim of economic data (and perhaps unexpected geopolitical headlines). 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 on 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	3.732%	-0.051%
2 YR	3.605%	-0.034%
30 YR	4.071%	-0.050%
5 YR	3.509%	-0.051%

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