

MBS & TREASURY MARKETS

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MBS Recap: Bonds Turn Green Despite Plenty of Volatility



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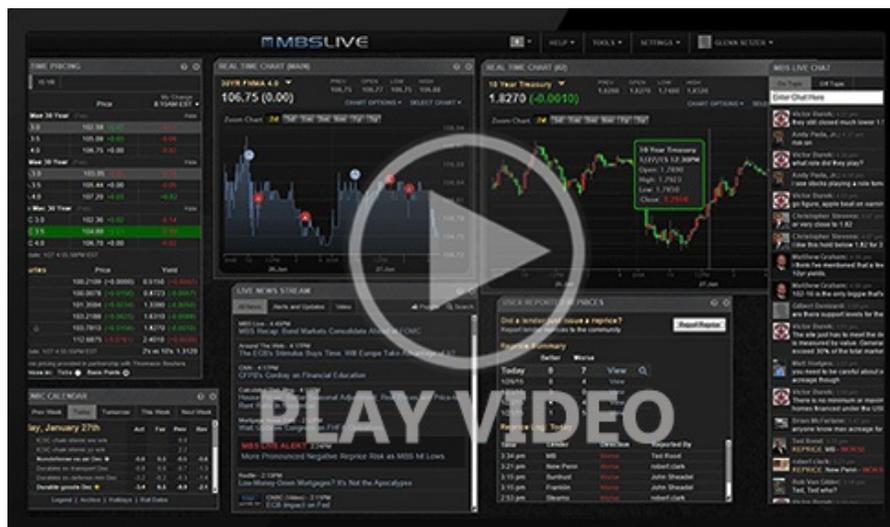
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Bonds Turn Green Despite Plenty of Volatility

MBS Recap | Matthew Graham | 4:52 PM

It was touch and go in the mid-day hours as early stability (modest gains, even) gave way to steady selling. Headlines from Fed's Bostic (he's not sure they'll need to cut again in Nov) caused yields to pop to the highs of the day just before the 30yr bond auction. After a decent auction, bonds calmed right down and slowly inched back into positive territory. That's a pretty decent result considering the 0.3 vs 0.3 core CPI reading this morning and the higher jobless claims number being subject to weather-related doubts.



Watch the Video

Update

8:38 AM Big Pop in Jobless Claims Helping Offset Higher CPI

Alert

10:44 AM MBS Down More Than an Eighth From Highs

MBS Morning

11:34 AM Mixed Reaction to Mixed Data

Alert

12:58 PM MBS at Lows After Bostic Comments

Econ Data / Events

- ○ Jobless Claims
 - 258k vs 230k f'cast, 225k prev
- Core CPI M/M
 - 0.3 vs 0.2 f'cast, 0.3 prev
- Y/Y Core CPI
 - 3.3 vs 3.2 f'cast, 3.2 prev

Market Movement Recap

- 09:20 AM Modestly weaker overnight with mixed trading after data. MBS up 2 ticks (.06) and 10yr up 1.1bps at 4.088
- 11:16 AM Back into weaker territory with MBS down 1 tick (.03) and 10yr up 1.5bps at 4.093
- 12:50 PM Under pressure on Bostic comments (open to skipping rate cut in Nov). 10yr up 2.1bps at 4.099. MBS down 2 ticks (.06).
- 03:43 PM Nice recovery after 30yr bond auction. 10yr now down 0.3bps on the day at 4.075 and MBS up 2 ticks (0.06).

Lock / Float Considerations

- Bonds continuing to drift in a choppy range that's been mostly weaker this week, but that is hopefully leveling off in general. Amid such trends, there will be examples of gains and losses, but it will take a sustained improvement to say the post-NFP bond market correction is truly over. Floating is akin to

catching a falling knife until the market proves it's done with this correction. That will take weak econ data and the data has to be in a significant report.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
 - o 4.20
 - o 4.15
 - o 4.05

- Floor/Resistance
 - o 3.77
 - o 3.82
 - o 3.87
 - o 3.95

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	4.065%	-0.013%
2 YR	3.959%	-0.062%
30 YR	4.362%	+0.021%
5 YR	3.887%	-0.030%

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