

# MBS & TREASURY MARKETS

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## MBS Recap: Bonds Turn Green Despite Plenty of Volatility



**Stan Bryant**

Home Loan Advisor, Silver Creek Capital Group

[www.silvercreekcapitalgroup.com](http://www.silvercreekcapitalgroup.com)

**P:** (303) 656-1997

**M:** (303) 656-1997

[stan@silvercreekcapitalgroup.com](mailto:stan@silvercreekcapitalgroup.com)

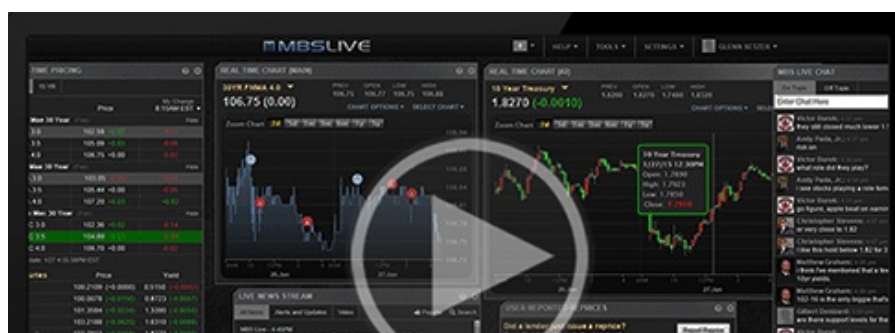
2679 Main Street  
Littleton Colorado 80120  
NMLS1182738  
Colorado Life and Health Insurance 18150



## 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	

### US Treasuries

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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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