

MBS & TREASURY MARKETS

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MBS Recap: Boring Week For Bonds and Next Week Isn't Much More Promising



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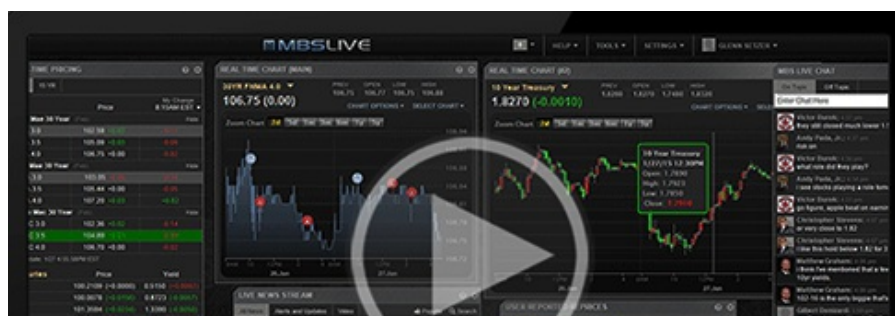
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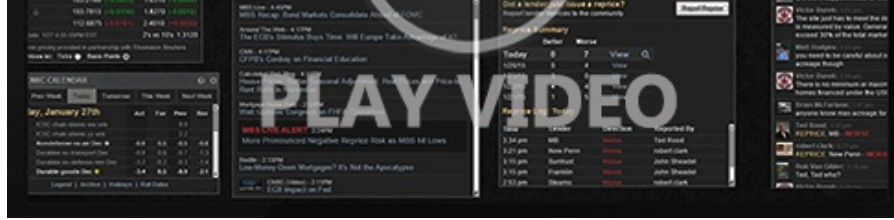


Boring Week For Bonds and Next Week Isn't Much More Promising

MBS Recap | Matthew Graham | 3:57 PM

It's always a bit jarring to go from something like last Friday's jobs report response to a subsequent week with very little movement, but in the grand scheme of things, it may as well have been a 9 day weekend. Actually, make that a 10 day weekend with the upcoming Monday being a holiday closure. Neither PPI nor Consumer Sentiment caused a stir today, but volume suggests traders were willing to react to PPI if it had fallen far from forecasts. In general, we'll need big ticket data to say bad things about the economy in order to recover any decent amount of what was recently lost. To that end, we're waiting all the way until next Thursday morning for the next round of reasonably relevant reports.





Watch the Video

Update

8:45 AM Overnight Losses Increasing After PPI Data

MBS Morning

11:14 AM No Whammies in The Data

Econ Data / Events

- ○ M/M Core PPI
 - 0.2 vs 0.2 f'cast, 0.3 prev
- Y/Y Core PPI
 - 2.8 vs 2.7 f'cast, 2.4 prev
- Consumer Sentiment
 - 68.9 vs 79.8 f'cast, 70.1 prev
- 1yr inflation expectations
 - 2.9 vs 2.7 prev
- 5yr inflation expectations
 - 3.0 vs 3.1 prev

Market Movement Recap

- 08:59 AM slightly weaker overnight with some additional losses after data. MBS down an eighth and 10yr up 3.7bps at 4.098
- 01:09 PM Back near unchanged in MBS, best levels of the day. 10yr up only 1.1bps at 4.072
- 03:51 PM Not far from previous update. MBS down 2 ticks (.06) and 10yr up 1.8bps at 4.079

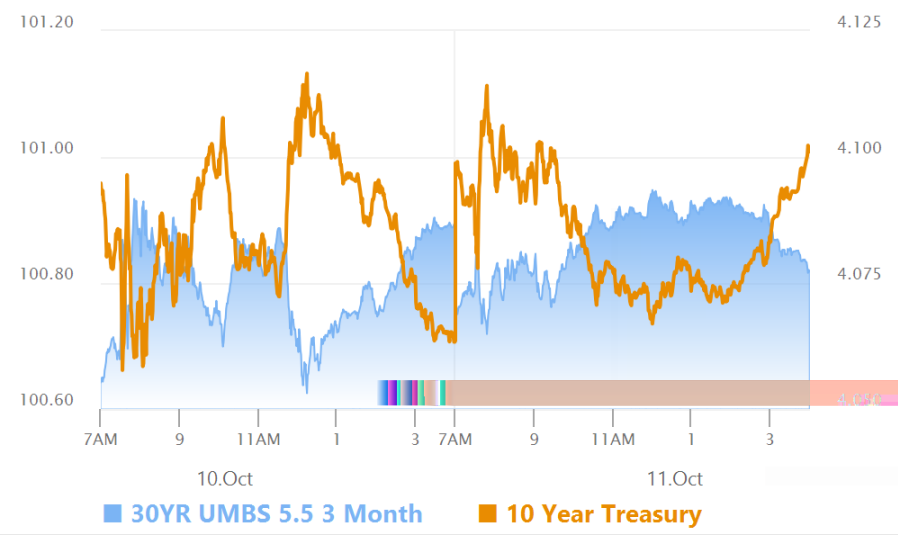
Lock / Float Considerations

- 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 | 4.082% | +0.021% |
|-------|--------|---------|

| | | |
|-------|--------|---------|
| 2 YR | 3.939% | -0.015% |
| 30 YR | 4.393% | +0.034% |
| 5 YR | 3.883% | 0.000% |

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