

MBS & TREASURY MARKETS

Daily Coverage. Industry Leading Perspective.

MBS Recap: Uneventful Day, But That's a Victory These Days



Paul Gowen

Broker/Owner, Willamette Falls Financial

www.willamettefallsfinancial.com

P: (503) 922-1499

M: (503) 381-0736

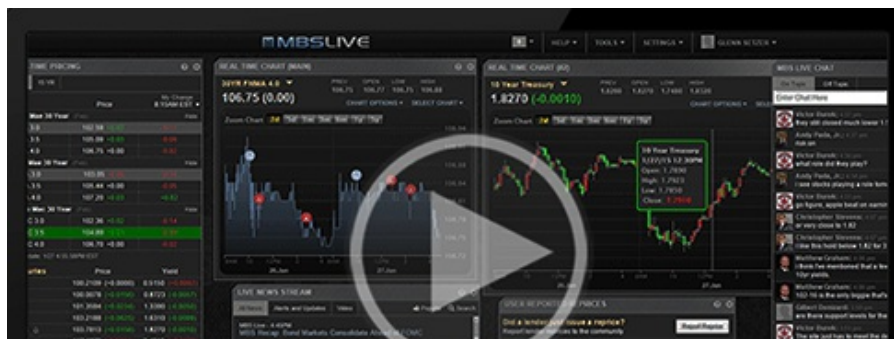
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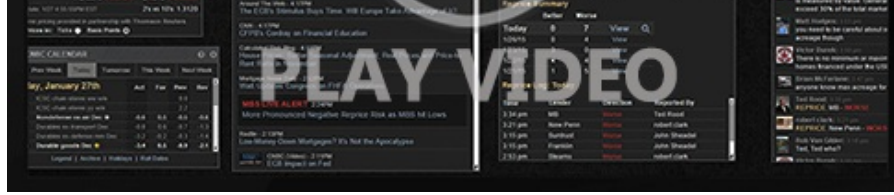


Uneventful Day, But That's a Victory These Days

MBS Recap | Matthew Graham | 4:33 PM

Last week's bond market action offered some glimmers of hope that the most recent jobs report wouldn't cause ongoing momentum toward higher rates, but yields nonetheless hit their highest levels on Thu/Fri. Today is a victory in that context as bonds moved back into the lower half of last week's trading range and all without any major market movers in play. To be fair to the NY Fed Manufacturing index, it was a market mover and it did help set a rate-friendly tone out of the gate. That said, the move looked more like a yield curve adjustment as opposed to a widespread bond rally (i.e. 30yr yields dropped 9bps while 2yr yields were basically unchanged). Thursday AM's data is higher consequence.





Watch the Video

MBS Morning

9:36 AM Stronger Start to Holiday-Shortened Week

Econ Data / Events

- ○ NY Fed Manufacturing
 - -11.90 vs 3.8 f'cast 11.5 prev

Market Movement Recap

- 08:34 AM Moderately stronger overnight with a slight additional improvement after data. MBS up an eighth. 10yr down 4.1bps at 4.059
- 11:32 AM Holding near best levels in Treasuries (most gains in longer durations). 10yr down 5.7bps at 4.044. MBS up 5 ticks (.16).
- 02:13 PM MBS still up an eighth, but down 3 ticks (.09) from AM highs. 10yr down 6.5bps at 4.036
- 04:15 PM Heading out at essentially the same levels as the previous update. MBS up an eighth and 10yr down 6.7bps at 4.035

Lock / Float Considerations

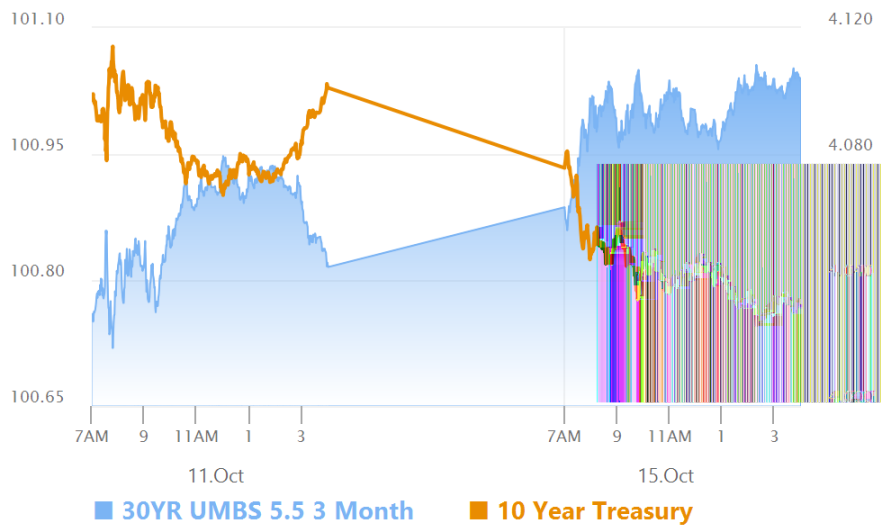
- With the new week's trading easily holding inside last week's rate range, we have the best confirmation yet that a mostly sideways holding pattern has been achieved after the most recent jobs report sent yields sharply higher. Thursday morning is a focal point for potential volatility this week due to the confluence of economic data in the 8:30am ET time slot. As such, Wednesday night is a high risk/reward situation. Risk averse clients will remain lock-biased until after the next jobs report and any election-related volatility at the very earliest.

Technical/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	4.034%	-0.068%
2 YR	3.955%	-0.003%
30 YR	4.320%	-0.093%
5 YR	3.858%	-0.045%

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