

MBS & TREASURY MARKETS

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MBS Recap: Thursday Morning is This Week's Biggest Volatility Risk



Charles Davis

EDGE Home Finance Corporation

www.edgehomefinance.com

M: (303) 870-6165

284 Spongecake Drive
Hardeeville SC 29927
1740379

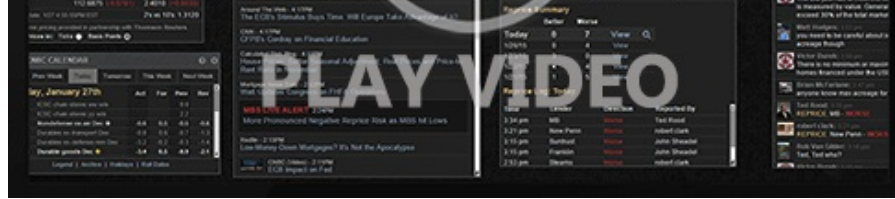


Thursday Morning is This Week's Biggest Volatility Risk

MBS Recap | Matthew Graham | 4:23 PM

While there was certainly a bit of an upward drift in Treasury yields through the end of last week, mortgage rates and MBS saw it as a bit more of a sideways grind. Last Thursday's data had a chance to create some momentum, but ultimately failed. Thursday is also this week's most active day for potentially significant econ data with Retail Sales likely getting the most attention. That said, "attention" has a lot to do with the size of beat/miss. As always, the market is already priced to reflect the median forecast, so there's no way to know if one outcome is more likely than another. What we do know is that Thursday's data is not in the same league as the big jobs report or several other live events in early November. It's just the best we have this week.





Watch the Video

MBS Morning

10:48 AM Mixed, Slightly Stronger Start, But Still Waiting For Thursday's Data

Market Movement Recap

- 08:51 AM Stronger overnight but losing some ground early. MBS unchanged. 10yr down 1.1bps at 4.022
- 12:34 PM modest gains into the noon hour. MBS up 2 ticks (.06) and 10yr down 2.3bps at 4.01
- 03:19 PM Very sideways. MBS up 3 ticks (.09) and 10yr down 1.5bps at 4.018

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.

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	4.014%	-0.019%
2 YR	3.937%	-0.010%
30 YR	4.297%	-0.022%
5 YR	3.843%	-0.013%

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