

MBS & TREASURY MARKETS

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MBS Recap: Fairly Big Sell-Off, But Last Week's Range is Intact



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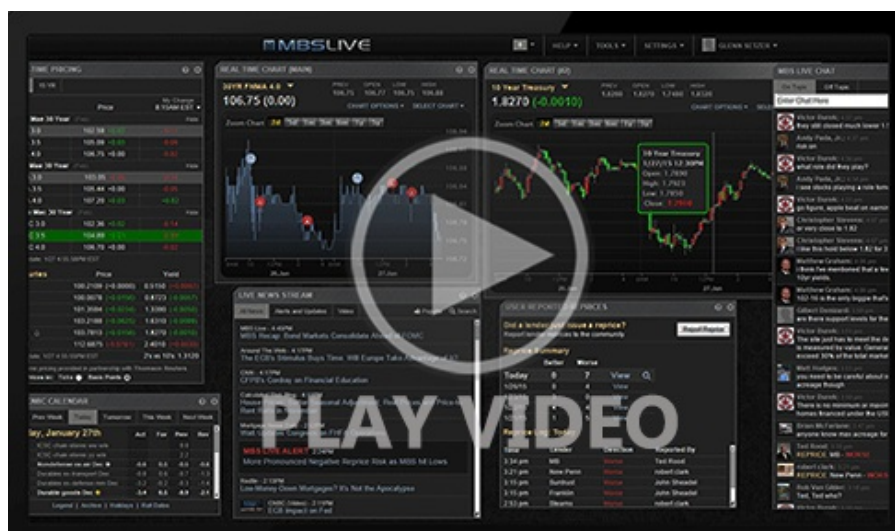
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Fairly Big Sell-Off, But Last Week's Range is Intact

MBS Recap | Matthew Graham | 5:27 PM

Bonds dealt with a trifecta of unfriendly economic data today with slightly stronger Retail Sales leading the charge. Jobless claims and Philly Fed certainly didn't help. In the desert of data that exists between each month's jobs reports, only a handful of days stand out as potential sources of course correction. Today was one of them and the 8bp sell-off in 10yr yields confirms it. Despite that reasonably big jump, yields are still under last week's highs. That's a decent consolation prize--one that suggests the market will remain willing to rally if it sees cracks in the next round of relevant data.



Watch the Video

Alert

8:32 AM Stronger Data Across The Board. Bonds Losing Ground

MBS Morning

11:53 AM Trifecta of Unfriendly Economic Reports For Bonds

Alert

1:53 PM MBS Now Down More Than 3/8ths of a Point

Econ Data / Events

- ○ Philly Fed
 - 10.3 vs 3.0 f'cast
- Retail Sales
 - 0.4 vs 0.3 f'cast
- Jobless Claims
 - 241k vs 260k f'cast
- Industrial Production
 - -0.3 vs -0.2 f'cast, 0.3 prev
- Builder Confidence
 - 43 vs 42 f'cast, 41 prev

Market Movement Recap

- 08:52 AM modestly weaker overnight with additional losses after data. MBS down 6 ticks (.19). 10yr up 5.3bps at 4.067
- 10:34 AM Slowly and steadily weaker. MBS down 10 ticks (.31) and 10yr up 7.4bps at 4.088
- 02:55 PM Treading water at weakest levels. MBS down just over 3/8ths and 10yr up 8.1bps at 4.095

Lock / Float Considerations

- Thursday's data delivered on the high risk front with a big move in the bond market, but not as much on the reward front. Specifically, rate sheets didn't move nearly as much as the market suggested. That

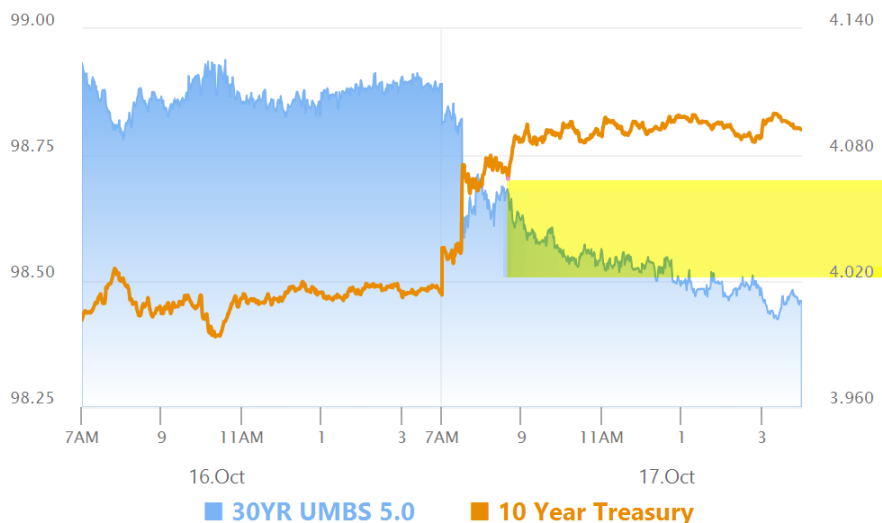
makes for a very compelling lock opportunity--especially for the risk averse crowd who didn't happen to lock yesterday. It continues to be the case that the biggest moves are a risk after the biggest econ data and that the first two weeks of November could be extraordinarily volatile.

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	4.093%	+0.079%
2 YR	3.974%	+0.032%
30 YR	4.396%	+0.098%
5 YR	3.900%	+0.056%

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