

MBS & TREASURY MARKETS

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MBS Recap: Waiting Game Returns With Straightforward, Sleepy Friday



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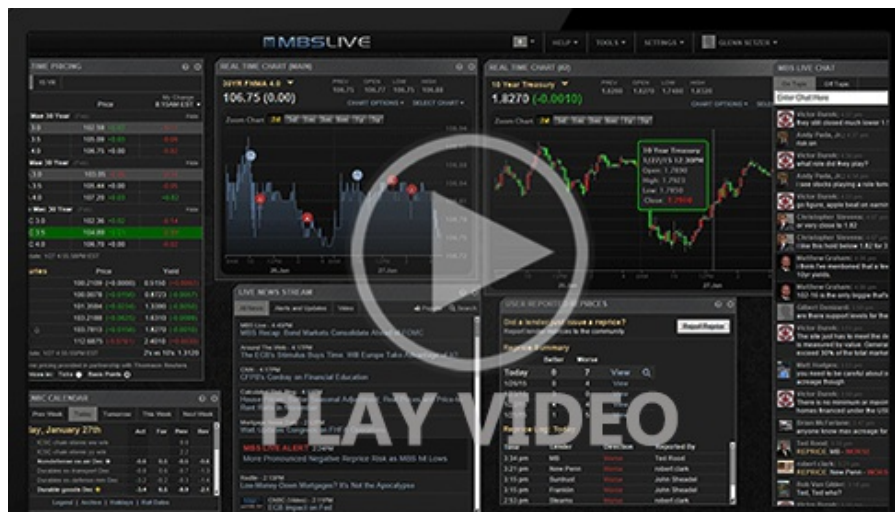
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Waiting Game Returns With Straightforward, Sleepy Friday

MBS Recap | Matthew Graham | 4:02 PM

Bonds were technically a hair weaker in the overnight session, but even if they never improved from those levels, yields still would have been inside the prevailing range (4.0 to 4.12 in terms of the 10yr). As it stands, they did improve a bit, ultimately hitting 4.063 at the lows and holding near there through the close. MBS picked up a microscopic gain as well. All of the above is perfectly reasonable considering the lack of motivation in economic data. Today's only report (residential construction) hasn't moved markets in over a decade. With that, we're back to waiting for relevant data with the next notable installment not arriving until Thursday.



MBS Morning

11:02 AM In The Absence of Data, No Need For More Selling

Econ Data / Events

- ○ Housing Starts
 - 1.354m vs 1.350m f'cast, 1.356m prev
- Building Permits
 - 1.428m vs 1.46m f'cast, 1.47m prev

Market Movement Recap

- 10:05 AM Unchanged to slightly weaker overnight, but making early gains. MBS up 3 ticks (.09) and 10yr down 2.4bps at 4.068
- 01:20 PM Stronger into mid-day, but leveling off now. MBS up 2 ticks (.06) and 10yr down 2.2bps at 4.07
- 03:28 PM Sleepy day with low volatility. MBS up 1 tick (0.03) and 10yr down 1.8bps at 4.074

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.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
 - 4.20
 - 4.12

Floor/Resistance

- 3.77
- 3.82
- 3.87
- 4.00

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	4.077%	-0.015%
2 YR	3.947%	-0.027%
30 YR	4.386%	+0.003%
5 YR	3.876%	-0.026%

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