

MBS & TREASURY MARKETS

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MBS Recap: Ratio of Weakness to Confirmed Explanations is Off The Charts



Paul Young

Loan Officer, Swift Mortgage

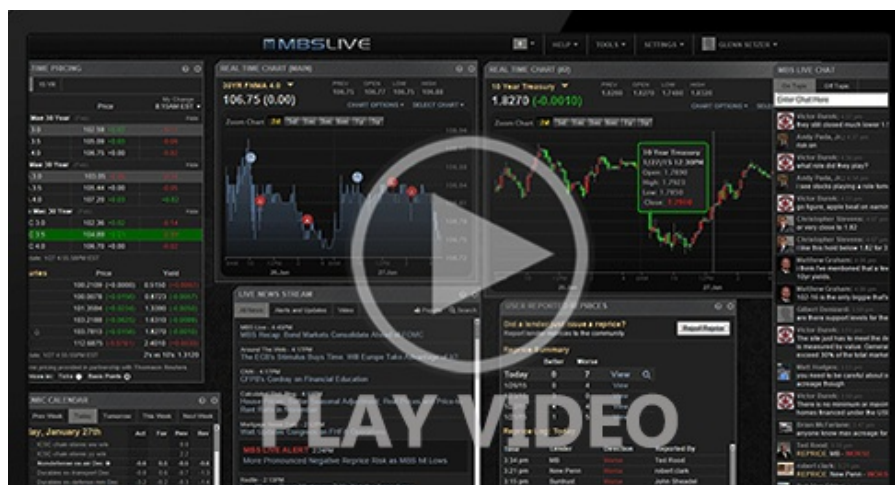
<https://myswift.mortgage/>
M: (480) 772-3054

1528 E Williams Field Rd
Gilbert AZ 85295
NMLS 2090333
Company NMLS 1925754

Ratio of Weakness to Confirmed Explanations is Off The Charts

MBS Recap | Matthew Graham | 4:44 PM

Every year there are a few days where bonds move as if obviously inspired in spite of a distinct absence of obvious inspiration. Monday was one of those days. Sure, there are a few "best guesses" making the rounds, but all of them are fairly easy to debate and none of them are worth the 11.5bp jump to the highest 10yr yields in almost 3 months. News articles pointing out "the economy" or "the deficit" are grasping at straws. These things are valid, but they wouldn't adequately account for today's sell-off. Sometimes the explanations for these episodes become clearer in hindsight. Other times, the mystery endures. Either way, volatility remains a big risk through mid-November.



Alert

10:07 AM MBS at new lows

Alert

11:13 AM Snowball Selling; Reprice Risk Increasing

MBS Morning

12:16 PM Bonds Have a (Bad) Case of The Mondays

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

- 09:08 AM Sharply weaker overnight and sideways from there. 10yr up 6bps at 4.137 and MBS down a quarter point in 5.5 coupons.
- 11:59 AM Snowball selling all morning. MBS down more than 3/8ths and 10yr up 9.3bps at 4.17
- 03:36 PM Still at weakest levels. MBS down 14 ticks (.44) and 10yr up 10.6bps at 4.184

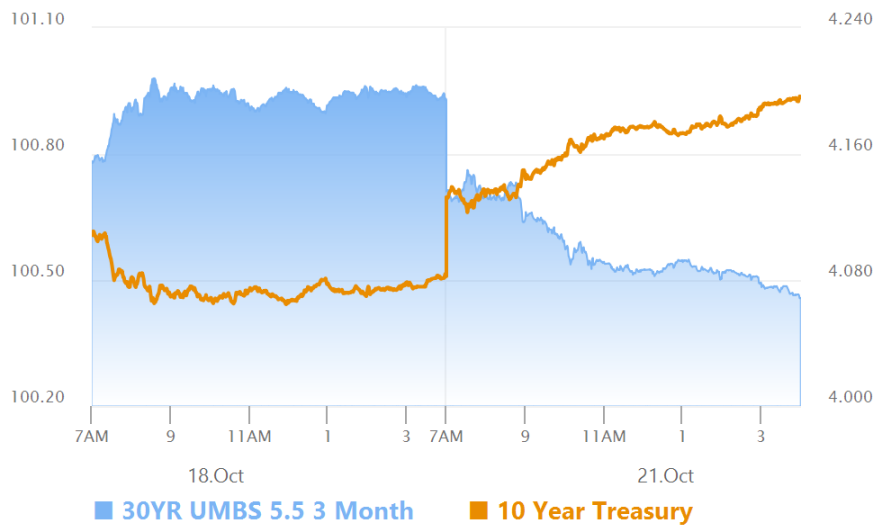
Lock / Float Considerations

- As the new week begins, the market proved it doesn't need econ data to deliver the volatility. It makes a strong case to consider the potential for significant volatility at least through mid November (based on the notion that some of the volatility is election related). Unfortunately, it would still take economic data to push rates back down in a meaningful way and we don't have any significant data until Thursday.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
 - o 4.20
 - o 4.12
- Floor/Resistance
 - o 3.77
 - o 3.82
 - o 3.87
 - o 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	4.195%	+0.117%
2 YR	4.032%	+0.075%
30 YR	4.499%	+0.102%
5 YR	3.985%	+0.103%

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