

MBS & TREASURY MARKETS

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MBS Recap: Better Balance, Finally



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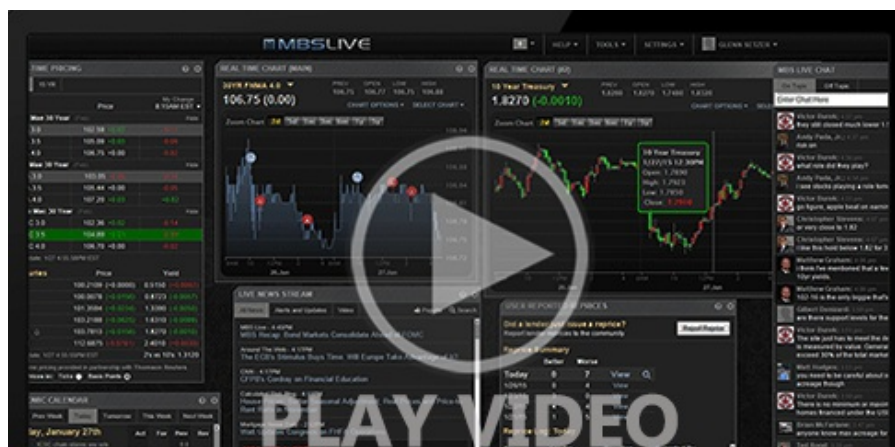
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Better Balance, Finally

MBS Recap | Matthew Graham | 4:55 PM

In the context of the first 3 days of the week, bonds pulled off a miracle today. Most of the yield curve managed to remain in positive territory despite both of this morning's key economic reports coming in stronger than expected. Markets were definitely willing to trade that data as both reports garnered a pop in yields and volumes. Perhaps it was a saving grace that neither report was unequivocally terrible for bonds. Both had some "yeah buts" that helped balance the response. What's impressive is that bonds were finally willing to have a balanced response as opposed to selling first and asking questions later. All this having been said, the jury is out as to whether this means anything or was simply the way today's ball bounced.





Watch the Video

Update

8:35 AM Giving Up Overnight Gains After Stronger Jobless Claims

MBS Morning

10:31 AM Bonds Doing Reasonably Well Considering Stronger Data

Alert

4:49 PM Gains Mostly Evaporated

Econ Data / Events

- ○ Jobless Claims
 - 227k vs 242k f'cast, 242k prev
- Continued Claims
 - 1897k vs 1880k f'cast, 1869k prev
- S&P Services PMI
 - 55.3 vs 55.0 f'cast, 55.2 prev
- S&P Manuf. PMI
 - 47.8 vs 47.5 f'cast, 47.3 prev

Market Movement Recap

- 10:03 AM moderately stronger overnight, but weaker after econ data. MBS still up 1 tick (.03) and 10yr still down 1.5bps at 4.224
- 11:57 AM Choppy, but broadly sideways and near stronger levels. MBS up 5 ticks (.16) and 10yr down 3.8bps at 4.201
- 01:42 PM A bit closer to the day's best levels. MBS up 7 ticks (.22) and 10yr down 4.9bps at 4.19
- 04:15 PM Off the best levels in the after hours session with MBS up only 3 ticks (.09) and 10yr down only 3bps at 4.208

Lock / Float Considerations

- While the bigger picture rate outlook remains data dependent (i.e. a super strong jobs report = higher rates and vice versa), consider the likelihood of significant election related volatility until further notice. As for Thursday's resilience, there will be a temptation to view this as some sort of technical ceiling for yields. While this can't be ruled out as a possibility, we'd advocate waiting for genuine motivation in the data or election outcome rather than technical analysis.

Technical/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
 - o 4.35
 - o 4.30
- Floor/Resistance
 - o 3.87
 - o 4.00
 - o 4.12
 - o 4.20

MBS & Treasury Markets



MBS

30YR UMBS 5.5	+
30YR UMBS 6.0	+
30YR GNMA 5.5	
15YR UMBS-15 5.0	+

US Treasuries

10 YR	4.213%	-0.026%
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2 YR	4.081%	+0.011%
30 YR	4.476%	-0.052%
5 YR	4.035%	-0.023%

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