

MBS & TREASURY MARKETS

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MBS Recap: Stronger Start, Weaker Finish



Stan Bryant

Home Loan Advisor, Silver Creek Capital Group

www.silvercreekcapitalgroup.com

P: (303) 656-1997

M: (303) 656-1997

stan@silvercreekcapitalgroup.com

2679 Main Street
Littleton Colorado 80120
NMLS 1182738
Colorado Life and Health Insurance 18150



Stronger Start, Weaker Finish

MBS Recap | Matthew Graham | 3:40 PM

Bonds had a fine morning with overnight gains bringing yields in line with the lowest levels of the past few days within the first 2 hours of domestic trading. From the 9:30am NYSE open on, bonds began moving in the other direction. There were no individual, new catalysts for the weakness, and more importantly, it wasn't even a level of weakness that matters in the bigger picture. Rather, this is the reality for the next few weeks in addition to being the occasional reality on any Friday afternoon after 3pm ET (due to the CME close). Looking back on the week, the only move that mattered was the sell-off into Wednesday morning. After that, the unwillingness on the part of 10yr yields to move back below 4.20 means they've been sideways ever since. It's unpleasant in the moment, but this is nothing compared to what we could see in the coming weeks.





Watch the Video

Update

8:36 AM No Reaction to Durable Goods Data

MBS Morning

11:16 AM Another Flat Start After Uninspiring Data

Alert

12:33 PM MBS At Lows

Alert

2:30 PM Additional Negative Reprice Risk

Alert

3:20 PM Negative Reprices Becoming Increasingly Likely

Econ Data / Events

- ○ Durable Goods
 - -0.8 vs -1.0 f'cast, 0.0 prev

Market Movement Recap

- 08:32 AM Modestly stronger overnight and no major reaction to Durable Goods. MBS up 2 ticks (.06) and 10yr down half a bp at 4.209.
- 10:41 AM giving up gains after NYSE Open. MBS up only 1 tick (.03) and 10yr down .6bps at 4.207
- 12:33 PM 10yr up 0.4bps at 4.217. MBS down 5 ticks (.16) from highs, but still near unchanged levels.
- 02:30 PM New lows for MBS, down just under an eighth on the day and exactly a quarter point from the

highs. 10yr up 1.3bps at 4.226

03:39 PM

More new lows for MBS, now down 5 ticks (.16) on the day and 10 ticks (.31) from the highs. 10yr yields are up 2.8bps at 4.241

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 any flashes of potential hope, we continue to 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 UMB 5.5

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

US Treasuries

| | | |
|-------|--------|---------|
| 10 YR | 4.241% | +0.029% |
| 2 YR | 4.106% | +0.023% |
| 30 YR | 4.506% | +0.033% |
| 5 YR | 4.063% | +0.028% |

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