

MBS & TREASURY MARKETS

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MBS Recap: Nice Recovery After JOLTS Data and Treasury Auction



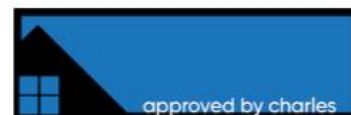
Charles Davis

EDGE Home Finance Corporation

www.edgehomefinance.com

M: (303) 870-6165

284 Spongecake Drive
Hardeeville SC 29927
1740379

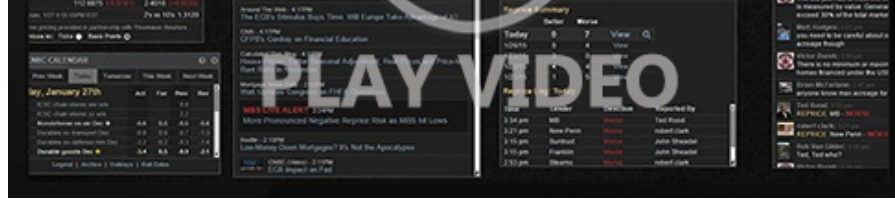


Nice Recovery After JOLTS Data and Treasury Auction

MBS Recap | Matthew Graham | 4:40 PM

If bond yields fall a few bps after having risen about 30 times as much, is it still a rally? Who knows, but that's what happened this afternoon. Yields actually began the day higher and continued to weaken ahead of the JOLTS data and Treasury auction. Both events proved to be beneficial, but it was only after making it through the 1pm auction of 7yr Treasuries that the buying demand stuck around long enough to get MBS and Treasuries into positive territory on the day. As our ongoing lock/float guidance suggests, periodic victories will happen in this environment. The bigger victories depend on bigger data and events, but Tuesday was nonetheless "nice" if for no other reason than to prove bonds are still capable of rallying when there's justification.





Watch the Video

MBS Morning

10:18 AM Pushing Back Against Early Weakness After JOLTS Data

Update

1:48 PM MBS Move Into Positive Territory After 7yr Auction

Econ Data / Events

- ○ FHFA Home prices m/m
 - 0.3 vs 0.2 f'cast, 0.2 prev
- Case Shiller Home Prices
 - -0.3 vs 0.0 prev

Market Movement Recap

- 09:57 AM weaker overnight and losing more ground early. MBS down 5 ticks (.16) and 10yr up 3.9bps at 4.32
- 11:19 AM Giving up some of the gains seen after 10am data. MBS down an eighth and 10yr up 5.3bps at 4.335
- 01:04 PM modest improvement after 7yr auction. MBS up 1 tick (.03) and 10yr up 2bps at 4.301.
- 03:20 PM Best levels of the day. MBS up 5 ticks (.16) and 10yr down half a bp at 4.277

Lock / Float Considerations

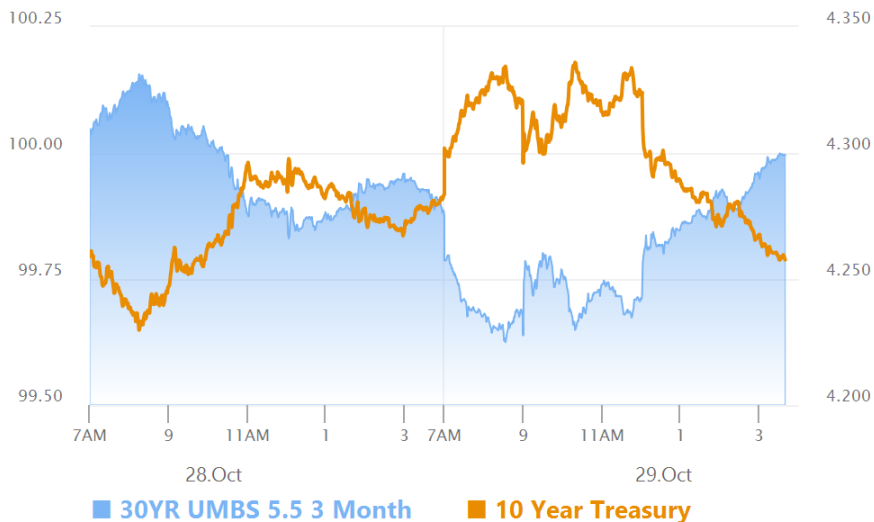
- While the bigger picture rate outlook remains data dependent (i.e. a super strong jobs report = higher rates and vice versa), consider the likelihood of significant election related volatility until further notice. As for any flashes of potential hope, we continue to advocate waiting for genuine motivation in the data or election outcome rather than technical analysis.

Technicals/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	4.257%	-0.025%
2 YR	4.100%	-0.044%
30 YR	4.501%	-0.028%
5 YR	4.085%	-0.034%

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