

MBS & TREASURY MARKETS

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MBS Recap: Election Remains Dominant Source of Volatility



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Election Remains Dominant Source of Volatility

MBS Recap | Matthew Graham | 4:12 PM

While the average day of the past few weeks has involved election odds pushing yields higher, today was quite the opposite. There's some debate as to whether it was polling or betting market odds that got the markets attention, but less debate about the nature of the ifs and thens at a broad level. A modicum of lower certainty of a Trump victory was the catalyst. It was a spark that didn't need to burn for long in this environment characterized by excessive dry powder for volatility. Bonds thought better of the overnight rally by mid-day, but not enough to undo the gains. Ultimately, yields ended right about where they were before Friday's jobs report. Exciting stuff for today, but boring in the bigger picture.





Watch the Video

MBS Morning

10:08 AM When is a Rally Not a Rally? (Explaining "Big" Overnight Move)

Alert

11:20 AM Down More Than an Eighth From The Highs

Alert

1:33 PM New Lows For MBS

Market Movement Recap

- 09:48 AM Much stronger overnight on shifting election odds. MBS up 3/8ths and 10yr down 11.3bps at 4.281.
- 11:21 AM Losing ground since 10am. Still much stronger on the day with MBS up a quarter point and 10yr down 9.3bps at 4.301
- 01:33 PM New lows, still up 5 ticks (.16) on the day, but down a quarter point from highs. 10yr down 7.2bps at 4.322, but up from lows of 4.262
- 04:08 PM Off the lows from the last update. MBS up 9 ticks (.28) and 10yr down 9.7bps at 4.297.

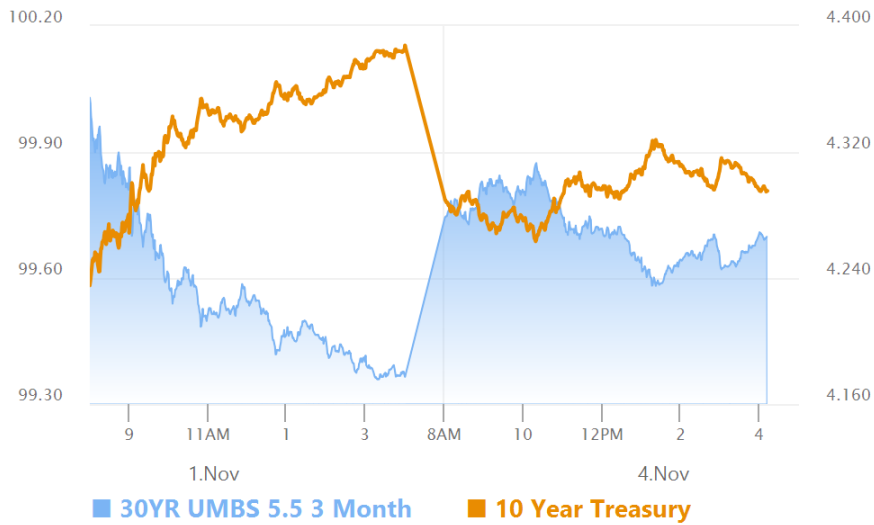
Lock / Float Considerations

- The market's unwillingness to maintain any gains following the jobs report is the latest piece of evidence that a meaningful rate rally isn't possible until after the election. Whether or not someone should hold out for that depends entirely on the election outcome. Some talking heads suggest bonds rally either way because they've simply moved to the sidelines, but we'd approach it from this standpoint of more selling being possible depending on the election outcome (including congressional elections).

Technical/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
 - o 4.49
 - o 4.43
- Floor/Resistance
 - o 4.12
 - o 4.20
 - o 4.30
 - o 4.35

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	4.296%	-0.098%
2 YR	4.174%	-0.041%
30 YR	4.477%	-0.106%
5 YR	4.157%	-0.063%

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