

MBS & TREASURY MARKETS

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MBS Recap: Does The Fed Still Matter?



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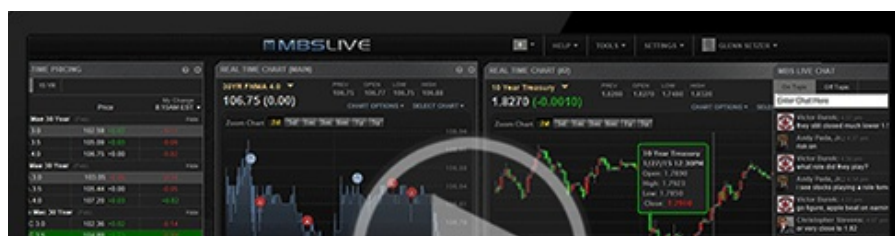
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Does The Fed Still Matter?

MBS Recap | Matthew Graham | 5:03 PM

Bonds sold off overnight as the reality of Trump's victory became apparent. Traders more or less nailed the trading levels right out of the gate. This didn't leave much room for volatility during domestic hours (10yr yields started the day around 4.45 and are ending around 4.43). Given the all-consuming focus on the election, it would be easy to overlook the fact that Thursday brings the next Fed announcement (it would normally be on a Wednesday, but some smart person pushed it back a day). Does that even matter in this environment? Frankly, probably not too much. At the very least, the market is 100% prepared for a 0.25% rate cut. The statement and Powell will both likely acknowledge improvements in economic data--especially the big shift in NFP--while at the same time reminding the market that the Fed is playing a long game and not to read too much into one month of data.





Watch the Video

MBS Morning

9:45 AM Huge Post-Election Sell-Off, The Calmest Result Imaginable

Econ Data / Events

- ○ S&P Services PMI
 - 55.0 vs 55.3 f'cast, 55.2 prev
- ISM Services
 - 56.0 vs 53.8 f'cast, 54.9 prev
 - employment 54.0 vs 48.0
 - Prices 58.1 vs 58.0

Market Movement Recap

- 08:11 AM Sharply weaker following Trump victory. MBS down 5/8ths of a point. 10yr up 16bps at 4.44
- 01:06 PM Recovering a bit, both before and after 30yr auction. MBS down half a point and 10yr up 13.6bps at 4.418
- 02:27 PM Giving up some ground again. MBS down 17 ticks (.53) and 10yr up 16bps at 4.442
- 04:11 PM Leveling off into the last hour. MBS down 15 ticks (.47) and 10yr up 15bps at 4.434

Lock / Float Considerations

- With election results in and bonds selling off, it's tempting to conclude that there must be some level of weakness that brings buyers back in and sets a ceiling over rates/yields. That's a dangerous game to play until such time that a ceiling can actually be witnessed and confirmed by econ data. Even then, bonds might hesitate to get too excited until they have a better sense of 2025's fiscal policy landscape.

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 | 4.429% | +0.146% |
| 2 YR | 4.274% | +0.087% |
| 30 YR | 4.609% | +0.175% |
| 5 YR | 4.269% | +0.135% |

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