

MBS Recap: Breaking Down The Big (Mostly) Non-Fed-Related Rally



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Breaking Down The Big (Mostly) Non-Fed-Related Rally

MBS Recap | Matthew Graham | 5:10 PM

As intraday charts give way to daily charts in the coming weeks, it will be all too easy to look back on today's calendar and conclude that it could only have been the Fed announcement that was capable of motivating a 10+bp rally in Treasuries and a half point gain in MBS. As we here in the past know, that rally was largely already in place ahead of the Fed announcement. We can't chalk it up to the high continued claims number, though that may have helped. The simplest theory is that there are "dip buyers" in bonds now that the election is over. It's not a bad one, but we could just as easily say that a glacial drift toward higher rates got ahead of itself yesterday and fell back in line with the trend today. Either way, MBS and mortgage rates have outperformed the move in Treasuries, and there's at least a moment of hope for optimists to imagine an inflection point.



Watch the Video

Update

9:25 AM Bonds Improving After Jobless Claims Data

MBS Morning

12:27 PM Token Resilience After Data. Is The Fed Going to Mention The Election?

Commentary

2:00 PM Here's What Changed in The New Fed Announcement

Update

2:04 PM First Move is Modestly Weaker After Fed Announcement

Alert

2:44 PM Bonds Losing a Bit More Ground Now

Update

3:08 PM Bonds Bounce Right Back After a Few Friendlier Comments

Econ Data / Events

- ○ Jobless Claims
 - 221k vs 221k f'cast, 218k prev
- Continued Claims
 - 1892k vs 1880k f'cast, 1853k prev

Market Movement Recap

- 08:40 AM Slightly stronger overnight and little-changed after jobless claims data. MBS are up a quarter point and 10yr yields are down 1.6bps at 4.415
- 12:35 PM Additional gains all morning. MBS at best levels, up half a point. 10yr down 9bps at 4.34
- 02:27 PM unchanged to a hair weaker after Fed announcement. MBS up 15 ticks (.27) and 10yr down 7.6bps at 4.356
- 03:11 PM 2 way trading after Powell press conference, but mostly stronger. MBS up more than half a point and 10yr down 11.3bps at 4.318

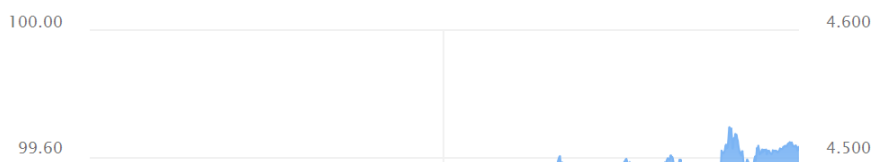
Lock / Float Considerations

- Thursday's rally raises the question of the worst of the recent rate spike being over. As nice as that sounds, it cannot be confirmed, if for no other reason than the fact there was no obvious reason for today's gains. It wasn't jobless claims (although they may have helped) and it definitely wasn't the Fed (although the Fed didn't get in the way). The simplest theory is that there are "dip buyers" in bonds now that the election is over. It's not a bad one, but we could just as easily say that a glacial drift toward higher rates got ahead of itself on Wednesday and fell back in line with the trend today. Either way, MBS and mortgage rates have outperformed the move in Treasuries, and there's at least a moment of hope for optimists to imagine an inflection point. Pragmatists want to see a sustained rally that's underpinned by legitimate motivation in economic data.

Technicals/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 | 4.328% | -0.104% |
| 2 YR | 4.204% | -0.067% |
| 30 YR | 4.532% | -0.077% |
| 5 YR | 4.174% | -0.102% |

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