

MBS & TREASURY MARKETS

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MBS Recap: Back to Uneventful Already?

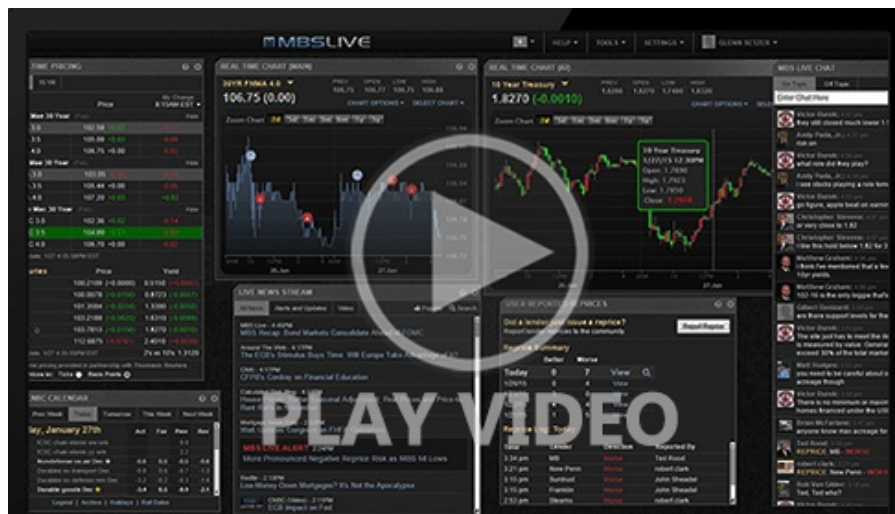


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Back to Uneventful Already?

MBS Recap | Matthew Graham | 6:14 PM

MBS are ending the trading day at almost perfectly unchanged levels--not the sort of thing one might expect on what has been yet another exceptionally volatile week with both a presidential election and Fed announcement. Part of the reason is that MBS happened to align well with the portion of the yield curve that was right in the middle of gains and losses. In other words, 2-3yr Treasuries sold off. 10-30yr Treasuries rallied. 5yr Treasuries were roughly unchanged, just like MBS. So no, we're not quite back to "uneventful" yet, even though things have calmed down markedly from Wednesday morning.



MBS Morning

11:41 AM Bonds Making a Stronger Case For Buying The News After Selling The Rumor

Alert

11:46 AM MBS Down More Than an Eighth From Highs

Alert

3:05 PM New Lows of The Day For MBS

Econ Data / Events

- ○ Consumer Sentiment
 - 73 vs 71 f'cast, 70.5 prev
- Inflation Expectations 1yr
 - 2.6 vs 2.7 f'ast/prev

Market Movement Recap

- 10:21 AM Slightly stronger overnight and gaining more ground now. MBS up 6 ticks (.19) and 10yr down 7bps at 4.268
- 12:01 PM slightly weaker since last update. MBS up 2 ticks (.06) and 10yr down 3.4bps at 4.304
- 02:26 PM MBS now unchanged and 10yr down 3.3bps at 4.305

Lock / Float Considerations

- MBS continued to outperform longer term Treasuries on Friday, but not their more accurate 5yr benchmark. So that plane has sailed and the roughly unchanged closing levels belie a market that could continue to be volatile in the coming week. Refreshingly, we're looking more toward data than politics now, but the later can still offer surprises. Not-so-refreshingly, we're leaving the burden of proof on economic data to make a case for any significant improvement in rates. At the very least, we can say that overnight risks are much lower than they were heading into the election even if we're still waiting for convincing evidence of a reversal. Monday is a holiday closure for Veterans Day.

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 | 4.306% | -0.032% |
| 2 YR | 4.256% | +0.053% |
| 30 YR | 4.471% | -0.064% |
| 5 YR | 4.191% | +0.013% |

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