

MBS & TREASURY MARKETS

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MBS Recap: Back to Regularly Scheduled Programming (Unfortunately)



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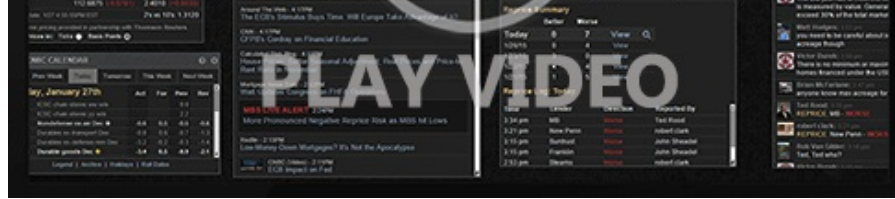


Back to Regularly Scheduled Programming (Unfortunately)

MBS Recap | Matthew Graham | 4:34 PM

Bonds sold off on Tuesday both during the domestic session and in the overnight hours leading up to it. Motivations are a matter of conjecture as there is not a conveniently obvious scapegoat. That hasn't stopped journalists, analysts, and traders from chiming in. The resulting laundry list mostly includes political considerations ranging from specific revelations regarding cabinet appointees to generalizations about the market continuing to process fiscal implications. We'd certainly add a high likelihood of **positional** considerations with last Thu/Fri now looking very much like an opportunity to cover shorts (makes yields move lower) and get neutral ahead of the 3-day weekend before getting yields back in line with post-election highs today.





Watch the Video

MBS Morning

9:24 AM Two Ways to Look At This Morning's Sell-Off

Alert

11:59 AM New Lows for MBS, New Highs for Treasury Yields

Market Movement Recap

- 08:41 AM Bonds move sharply weaker overnight and in early trading. 10yr up 8.4bps at 4.389 and MBS down 13 ticks (.41)
- 11:59 AM MBS are down 14 ticks (.44) on the day and just over an eighth of a point from the AM highs. 10yr yields are up 10.7bps at 4.413.
- 03:27 PM Weakest levels of the day for MBS, down nearly 5/8ths of a point. 10yr up 13bps at 4.437

Lock / Float Considerations

- The burden of proof remains on economic data to make a case for any significant improvement in rates. In other words, don't expect big, sustained improvement without markedly weaker data/inflation. Additionally, volatility potential remains elevated surrounding the election trade. This is an asymmetric risk environment that continues to heavily favor locking vs floating until further notice (this doesn't mean rates can't drop here and there, but it does mean there's not currently a reason for them to drop very much or for very long unless data makes a case for it).

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

- 4.20
- 4.30
- 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 | 4.427% | +0.120% |
| 2 YR | 4.340% | +0.084% |
| 30 YR | 4.565% | +0.094% |
| 5 YR | 4.313% | +0.122% |

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