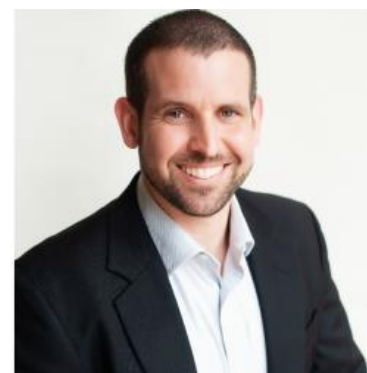


MBS & TREASURY MARKETS

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MBS Recap: Powell Rains on Bond Market's Mini Parade



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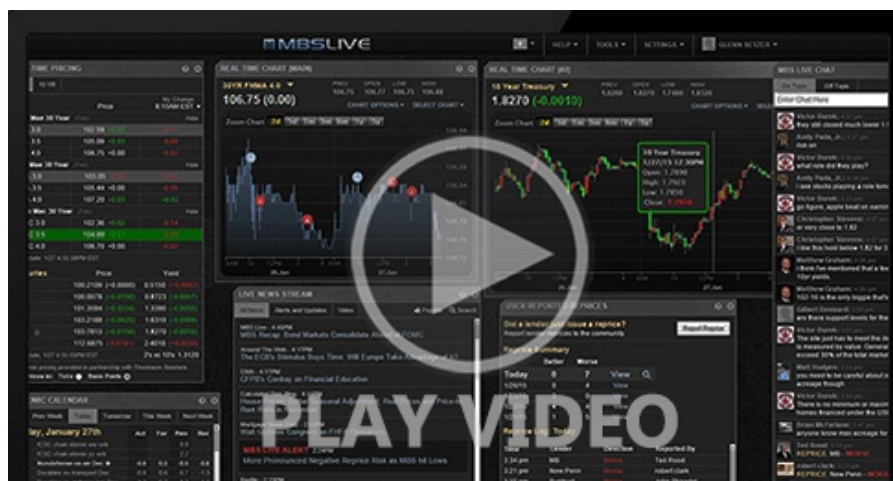
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Powell Rains on Bond Market's Mini Parade

MBS Recap | Matthew Graham | 4:34 PM

Today is a bit of a mirror image compared to yesterday. Bonds lost ground after the AM econ data and then began improving heading into the afternoon hours. Despite the gains, the yield curve suggested some apprehension ahead of Powell's speech/Q&A in Dallas this afternoon. Fears proved to be justified as Powell echoed colleague's recent quips regarding a slower pace of rate cuts than previously foreseen. This isn't a surprise considering the recent econ data, but confirmation was worth a bit more selling of shorter-dated Treasuries. MBS got swept up in that trade and ended up trading a 7 tick (.22) gain for a 6 tick (.19) loss as of 4pm ET. Fairly uneventful in the bigger picture.



Watch the Video

Update

8:37 AM Bonds Losing Some Ground After Jobless Claims and PPI

MBS Morning

10:01 AM Morning Weakness Erased

Alert

2:48 PM MBS Down More Than an Eighth From Highs

Alert

3:11 PM Bonds Losing More Ground After Powell Speech

Econ Data / Events

- ○ Jobless Claims
 - 217k vs 223k f'cast, 221k prev
- Continued Claims
 - 1.873k vs 1.888k f'cast, 1.892k prev
- Core PPI M/M
 - 0.3 vs 0.3 f'cast, 0.2 prev
- Core PPI Y/Y
 - 3.1 vs 3.0 f'cast, 2.8 prev

Market Movement Recap

- 08:37 AM Slightly stronger overnight. Weaker after data. MBS down just over an eighth and 10yr up 1.8bps at 4.482
- 09:43 AM Back into positive territory. 10yr down 4.9bps at 4.415 and MBS up an eighth of a point.
- 02:48 PM Off the best levels with most of the selling in the short end of the curve. MBS still up 2 ticks (.06) on the day but down 6 ticks (.19) from the highs. 10yr yields down 5bps at 4.415
- 03:12 PM Additional losses after Powell speech. MBS down 3 ticks (.09) and 10yr down 1.7bps at 4.446

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
 - 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	4.449%	-0.015%
2 YR	4.358%	+0.084%
30 YR	4.600%	-0.033%
5 YR	4.338%	+0.038%

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