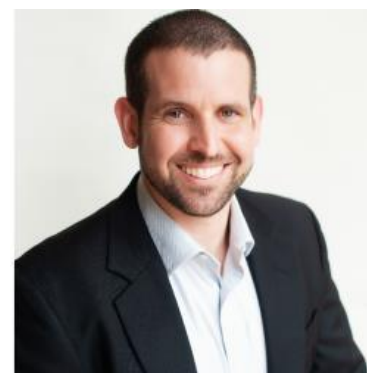


# MBS & TREASURY MARKETS

Daily Coverage. Industry Leading Perspective.



## MBS Recap: Uneventful Conclusion to Another Volatile Week



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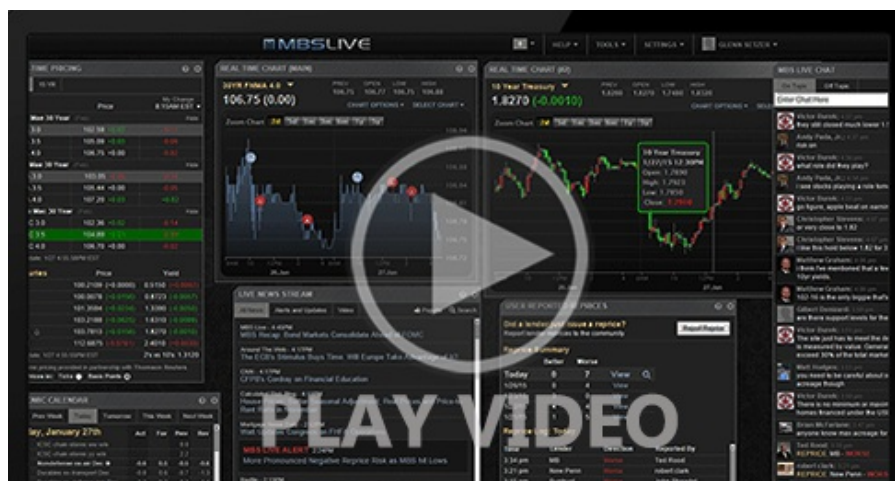
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## Uneventful Conclusion to Another Volatile Week

MBS Recap | Matthew Graham | 3:40 PM

This morning began like many other recent mornings with economic data making a strong, logical case for bonds to move in a certain direction only for bonds to subsequently reverse course and do something else. In today's case, it was Retail Sales that pushed yields higher at first. Perhaps it was also Retail Sales that allowed for a friendly correction as traders digested the report's internal components (which weren't as favorable as the headline). Either way, bonds were able to get all the way back to positive territory by the afternoon. That's good in and of itself, but with 10yr yields still over 4.4%, the uptrend is still intact in the bigger picture.



Update

8:36 AM Retail Sales Comes in Hotter; Bonds Losing Some Ground

MBS Morning

9:28 AM Bonds Face Headwinds From Stronger AM Econ Data

Alert

3:40 PM Heads-Up: MBS Off Afternoon Highs

Econ Data / Events

- ○ Retail Sales
  - 0.4 vs 0.3 f'cast
  - last month revised to 0.8 from 0.4
- NY Fed Manufacturing
  - 31.2 vs -0.7 f'cast, -11.9 prev
- Import Prices
  - 0.3 vs -0.1 f'cast, -0.4 prev
- Export Prices
  - 0.8 vs -0.1 f'cast, -0.6 prev

Market Movement Recap

- 09:17 AM modestly stronger overnight and weaker after data. MBS down 5 ticks (.16) and 10yr up 3.5bps at 4.474
- 09:28 AM weakest levels after trying to bounce briefly. MBS down 6 ticks (.19) and 10yr up 3.9bps at 4.478
- 01:35 PM Bouncing back to best levels of the day now. MBS up 1 tick and 10yr down 1.9bps at 4.42
- 03:40 PM Off the strongest levels, but not swooning in a major way. MBS down 2 ticks (.06) and 10yr down half a bp at 4.434

Look / Float Considerations

## 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 4.434% -0.005%

2 YR  
30 YR  
5 YR

4.304%  
4.608%  
4.303%

-0.046%  
+0.025%  
-0.023%

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