

MBS & TREASURY MARKETS

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MBS Recap: Bonds Give Back Most of The Overnight Gains



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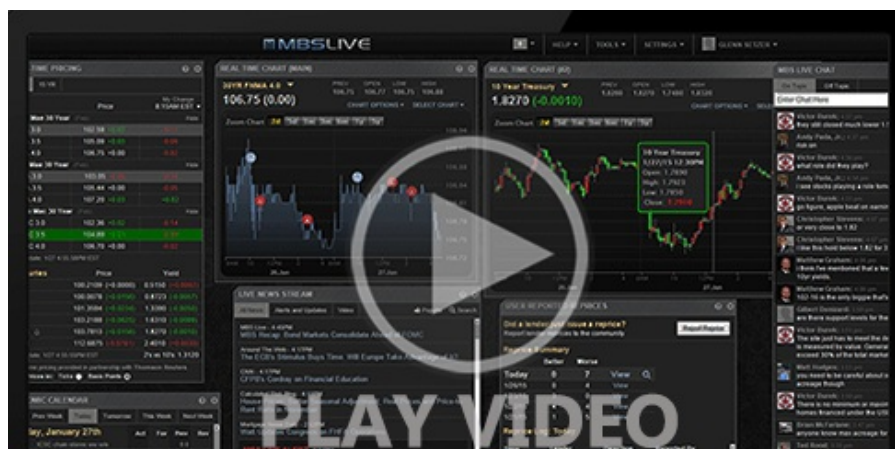
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Bonds Give Back Most of The Overnight Gains

MBS Recap | Matthew Graham | 4:57 PM

Stocks and bonds had a logical response to the threat of global nuclear war overnight, but even at the height of that trade, the gains weren't too big for Treasuries/MBS. Starting at 9am ET, bonds began giving back the overnight gains and that process continued in a slow and steady way throughout the session. MBS ultimately hit unchanged levels and 10yr yields rose roughly 6bps from the lows. The stock market made an even bigger round trip, ultimately ending higher for the 2nd day in a row.



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MBS Morning

10:31 AM Threat of Global Nuclear War Barely Worth a Bond Rally

Alert

3:41 PM Weakest Levels Of The Day

Econ Data / Events

- ○ Housing Starts
 - 1.311m vs 1.330m f'cast, 1.354m prev
- Building Permits
 - 1.416m vs 1.430m f'cast, 1.425m prev

Market Movement Recap

- 09:31 AM moderately stronger overnight on Ukraine escalation. MBS up less than an eighth. 10yr down 4.2bps at 4.374
- 12:56 PM weakest levels of the day. MBS up 2 ticks (0.06) and 10yr down 3.2bps at 4.385
- 02:56 PM Little changed since previous update. MBS up 2 ticks (.06) and 10yr down 4.3bps at 4.374
- 03:41 PM 10yr yields are still 3bps lower on the day at 4.387. MBS now up only 1 tick (.03).

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. 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. The best hope over the last 2 weeks of November is for volatility to subside and for the prevailing uptrend in rates to run out of steam. These are not the sort of hopes upon which to base lock/float strategy.

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	4.395%	-0.022%
2 YR	4.283%	+0.002%
30 YR	4.584%	-0.025%
5 YR	4.262%	-0.016%

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