

MBS & TREASURY MARKETS

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MBS Recap: Another Flat Day, This Time With Data



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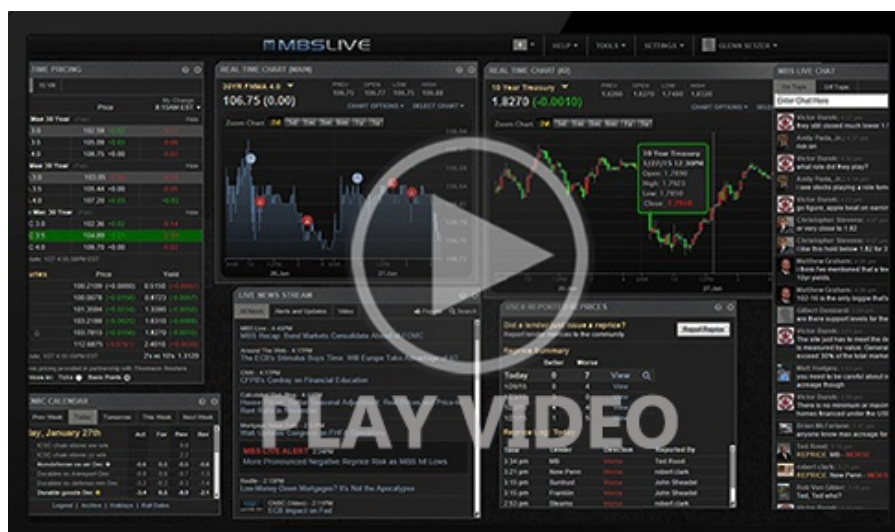
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Another Flat Day, This Time With Data

MBS Recap | Matthew Graham | 4:51 PM

While it would be an overstatement to say that bonds have fully outgrown the phase of volatility that's dominated October and early November, it's not unfair to say that volatility has been subsiding rather markedly--especially if we focus on day over day closing levels. 8 out of the past 8 trading sessions have seen 10yr yields end the day in a 4.40 to 4.46 range--pretty narrow, even for a more boring economic and political backdrop. Today's neutrality had at least something to do with the mixed messages in the econ data, but bonds are definitely waiting for the heavy hitting report of early December before making bigger bets.



Watch the Video

Update

8:34 AM Jobless Claims Stay Low, But Continued Claims Help Offset

Alert

11:11 AM MBS at Lows

MBS Morning

12:13 PM Bonds Giving Up Early Gains, But Not Due to Data

Econ Data / Events

- ○ Jobless Claims
 - 213k vs 220k f'cast, 219k prev
- Continued Claims
 - 1908k vs 1870k f'cast, 1872k prev
- Philly Fed Index
 - -5.5 vs 8.0 f'cast 10.3 prev
- Existing Home Sales
 - 3.96m vs 3.93m f'cast, 3.83m prev

Market Movement Recap

- 10:24 AM Modestly stronger overnight and holding gains after data. MBS up 3 ticks (.09) and 10yr down 2.2bps at 4.383
- 11:04 AM Off best levels now. MBS up only 1 tick (.03) and 10yr now up 0.4bps at 4.409
- 03:27 PM MBS down 1 tick (.03) and 10yr up 2.4bps at 4.429

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, but it does generally seem like

this is what's been happening.

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	4.424%	+0.019%
2 YR	4.352%	+0.029%
30 YR	4.606%	+0.001%
5 YR	4.306%	+0.026%

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