

MBS & TREASURY MARKETS

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MBS Recap: No Major Data. No Major Drama

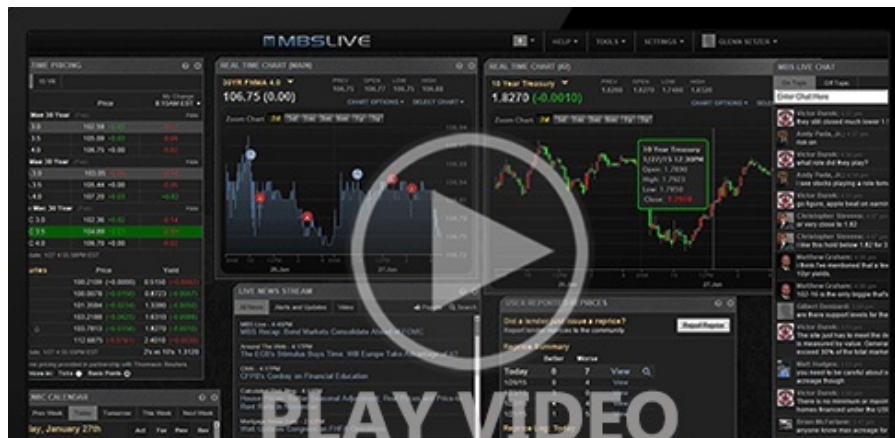


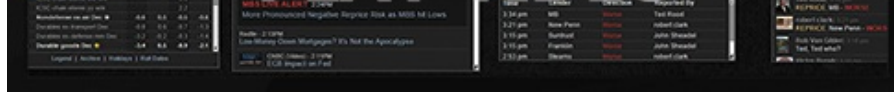
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No Major Data. No Major Drama

MBS Recap Matthew Graham | 2:46 PM

While today's economic calendar was not necessarily "empty," it may as well have been in terms of market movement potential. Home prices came in hotter according to FHFA, but bonds never care about home price indices (apart from the housing meltdown, perhaps). Same story for new home sales which tanked due to Hurricane Milton. Consumer confidence and the 5yr auction were right in line with expectations, thus leaving only the Fed Minutes at 2pm. The Fed couldn't possibly have said anything interesting 3 weeks ago that we haven't already heard several of them say in the past 3 weeks. Therefore, it was never likely to inspire bond market movement. We're left with a modest correction to yesterday's rally and a day of mostly flat trading into the 3pm CME close. Wednesday could be a bit jumpier depending on the data and month-end trading uncertainty.





Watch the Video

MBS Morning

9:50 AM Bonds Letting Off Some of Yesterday's Steam

Alert

10:25 AM MBS down More Than an Eighth From Highs

Econ Data / Events

- ○ FHFA Home Prices
 - 0.7 vs 0.3 f'cast, 0.4 prev
- Case Shiller Home Prices
 - -0.3 vs -0.3 prev
- Annual Case Shiller Prices
 - 4.6 vs 4.8 f'cast, 5.2 prev
- Annual FHFA Home Prices
 - 4.4 vs 4.4 prev
- New Home Sales
 - 610k vs 730k f'cast
- Consumer Confidence
 - 111.7 vs 111.3 f'cast

Market Movement Recap

- 09:12 AM Bonds drift sideways to slightly weaker overnight. MBS down only 2 ticks (.06) and 10yr up 2.2 bps at 4.296
- 10:25 AM Off the AM highs with MBS now down 6 ticks (.19) and 10yr yields up 4.4bps at 4.319
- 01:03 PM Ho hum 5yr auction. Bonds little changed ad modestly weaker levels. MBS down 5 ticks (.16) and 10yr up 3.1bps at 4.307
- 02:05 PM No response to Fed minutes and no change to levels from the last update

Lock / Float Considerations

- The rising rate trend that began in October finally ended last week. Bond's victory had been to merely move sideways instead of higher in yield. Bessent's Treasury appointment added emphasis to the reversal, giving the appearance that rates are headed back in the other direction. While such a move is possible, it is most likely to be seen in response to sufficiently weak economic data. In other words, the early rally this week is "nice," but it's only an indication of ongoing improvement if the data says so.

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	4.309%	+0.034%
2 YR	4.266%	+0.001%
30 YR	4.483%	+0.016%
5 YR	4.203%	+0.024%

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