

MBS & TREASURY MARKETS

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MBS Recap: Stronger Bonds, Before and After (And Regardless of) Economic Data

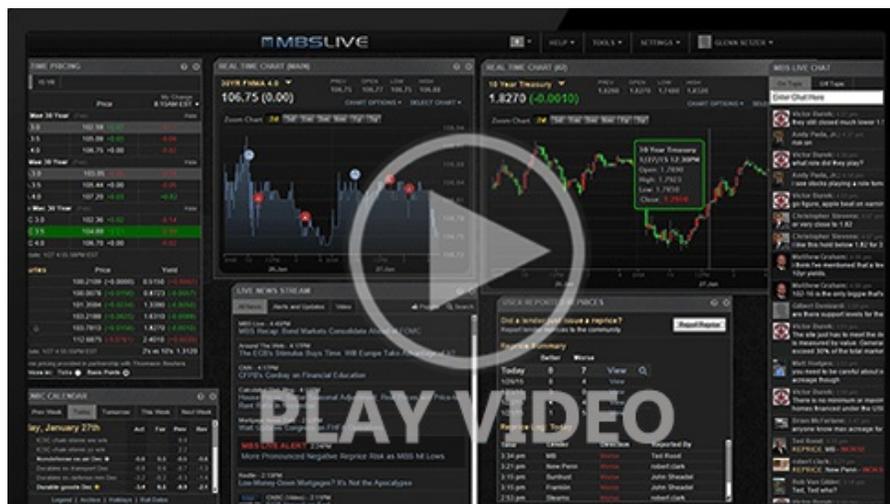


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Stronger Bonds, Before and After (And Regardless of) Economic Data

MBS Recap | Matthew Graham | 3:16 PM

Bonds were stronger overnight with 10yr yields hitting roughly 4.25% even before this morning's economic data came out. Now at the 3pm CME close, 10yr yields are still at 4.25% and they didn't stray too far from that midpoint in either direction. Data was neither friendly nor unfriendly and there was certainly no discernible reaction. We're left to chalk up the rally to serendipitous, temporary factors such as month-end trading, holiday weekend position squaring, and the proverbial skids being greased by a light liquidity environment. It was and always will be the plan to basically ignore market movement on Thanksgiving week and tune back in more attentively during jobs report week (i.e. next week). NOTE: we are not currently planning on scheduled commentary for this Friday's half day unless something momentous happens. Bonds will be open until 2pm ET.



MBS Morning

9:18 AM Thanksgiving Nap Time Comes Early, Thanks to AM Data

Update

10:27 AM Near Weakest Levels

Econ Data / Events

- ○ GDP
 - 2.8 vs 2.8 f'cast
- Jobless Claims
 - 213k vs 216k f'cast
- Continued Claims
 - 1.907m vs 1.910m f'cast
- Core PCE Q/Q
 - 2.1 vs 2.2 f'cast, 2.8 prev
- Core PCE M/M
 - 0.3 vs 0.3 f'cast, 0.3 prev
- Core PCE Y/Y
 - 2.8 vs 2.8 f'cast, 2.7 prev

Market Movement Recap

- 09:19 AM moderately stronger overnight and no reaction to 8:30AM data. MBS up 6 ticks (.19) and 10yr down 5.2bps at 4.253
- 10:14 AM Modest weakness after PCE data. MBS still up 5 ticks (.16) and 10yr down 3.8bps at 4.268 but up from lows of 4.24
- 02:31 PM Near the best levels now. MBS up a quarter point and 10yr down 6.6bps at 4.24

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.

Technical/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	4.251%	-0.055%
2 YR	4.220%	-0.029%
30 YR	4.437%	-0.044%

5 YR

4.122%

-0.071%

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