

MBS & TREASURY MARKETS

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MBS Recap: Bonds Hold Vast Majority of Last Week's Gains

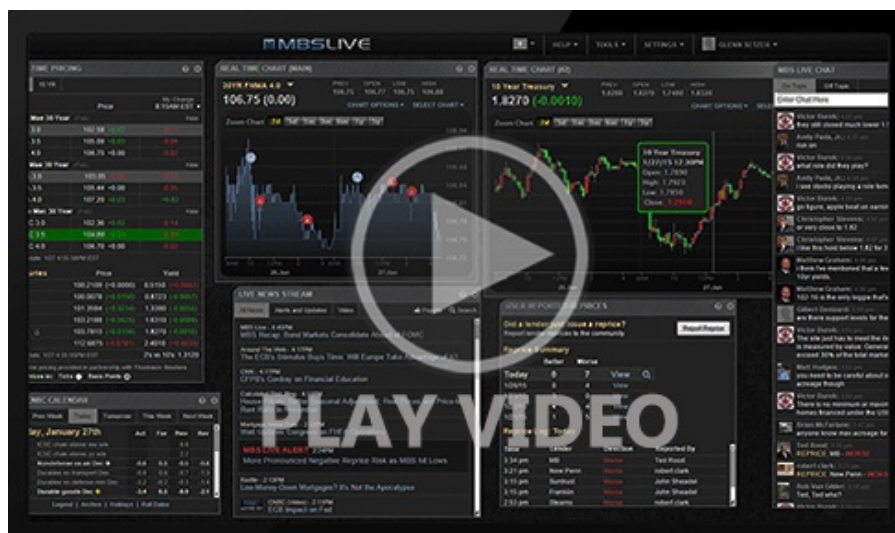


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Bonds Hold Vast Majority of Last Week's Gains

MBS Recap | Matthew Graham | 4:41 PM

The most significant thing that happened as the market returned to the office from Thanksgiving weekend is that bonds were able to hold a vast majority of last week's gains. That wasn't immediately apparent if you were focusing on day-over-day losses, but consider that Friday afternoon saw a quick little rally that made for artificially strong closing levels. Any way you slice it, today's yields remained roughly 20bps lower than those at the end of the week before last. This is as strong of a showing as we could have hoped for in the absence of any bond-friendly economic data. The rest of the week is most likely to flow logically from the incoming data. As for today itself, it was mostly uneventful with "new month" and repositioning trades accounting for a mid day recovery from early weakness.



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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

- 09:18 AM Giving back some of Friday's ephemeral gains. MBS down 10 ticks (.31) and 10yr up 5bps at 4.221.
- 12:16 PM decent gains heading into mid-day. No obvious motivations apart from geopolitical tensions flaring again. MBS down 5 ticks (.16) and 10yr up 1.1bps at 4.182
- 03:52 PM Small friendly bump after Fed's Waller's comments. MBS down an eighth and 10yr up 1.2bps at 4.183

Lock / Float Considerations

- Bonds made it through the Thanksgiving trading week in the best possible shape relative to the incoming data. The rising rate trend from October was defeated 2 weeks ago and the initial sideways trajectory gave way to a modest recovery. Nonetheless, it continues to be up to incoming economic data to determine the next "real" move in rates. On that note, it's the most critical week of the month with several strong supporting actors in the coming days and the big jobs report on Friday.

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	4.196%	+0.026%
2 YR	4.186%	+0.079%
30 YR	4.370%	+0.010%
5 YR	4.093%	+0.065%

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