

MBS Recap: Friendly Fed Comments No Match For The Range



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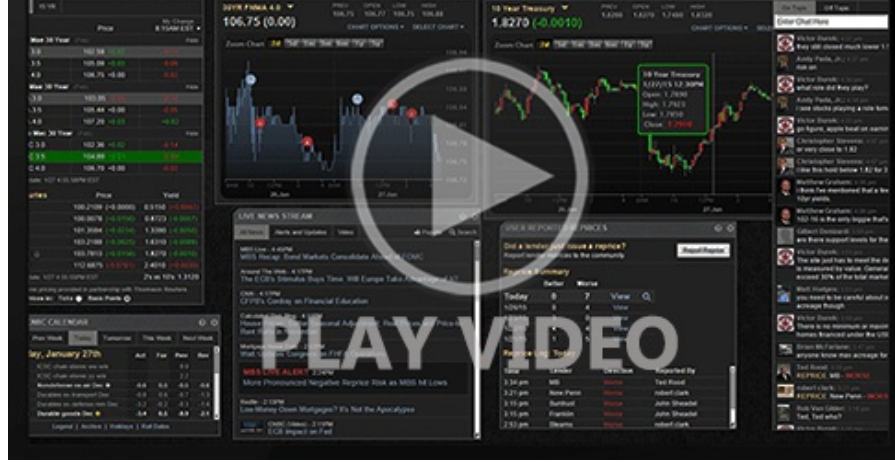


Friendly Fed Comments No Match For The Range

MBS Recap Matthew Graham | 3:52 PM

The day began with a bond rally courtesy of geopolitical headlines (martial law declared in South Korea). Traders were done reacting to the news by 9am and yields were heading back up after that with a 10am push from stronger JOLTS data. There were several friendly comments from Fed speakers in the early afternoon, but they only materially benefitted the short end of the yield curve (i.e. 2yr yields are lower on the day while 10yr yields are several bps higher). The other way to view the move is simply that the bond market rallied as much as it was willing to rally by the end of last week and yields haven't been able to make any additional progress since then. Indeed, each of the past 3 trading sessions has seen a 10yr yield low of almost exactly 4.17%. Tomorrow brings an important slate of econ data with ADP employment, ISM Services, and an afternoon Powell speech.





Watch the Video

MBS Morning

9:57 AM South Korea... Martial Law... And a Bond Rally?

Update

10:11 AM Giving up Some Early Gains After JOLTS Data

Alert

11:04 AM Weakest Levels of The Day

Econ Data / Events

- ○ Job Openings
 - 7.744m vs 7.480m f'cast, 7.372 prev
- Job Quits
 - 3.326m vs 3.071m prev

Market Movement Recap

- 09:36 AM Slightly weaker overnight, then stronger on geopolitical headlines. MBS up 2 ticks (.06) and 10yr down 1.7bps at 4.177
- 10:55 AM At the lows of the day with MBS now unchanged and 10yr up 1.2bps at 4.206
- 02:48 PM Modest recover into 1pm hour, but back near same lows now. MBS down 3 ticks (.09) and 10yr up 1.9bps at 4.213

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.

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	4.232%	+0.038%
2 YR	4.176%	-0.007%
30 YR	4.408%	+0.051%
5 YR	4.114%	+0.035%

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