## MBS & TREASURY MARKETS

Daily Coverage. Industry Leading Perspective.

# MBS Recap: No Whammies From Powell as Rates Rally on ISM Data



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### No Whammies From Powell as Rates Rally on ISM Data

MBS Recap Matthew Graham | 4:32 PM

Bonds came away from this morning's economic data with a tailwind that helped turn losses into gains. The ISM Services PMI was the biggest contributor. In addition to headline PMI being much weaker than expected, the employment index was also lower than last month, and the price index was unchanged. The only thing bonds had left to fear on the day was Powell's afternoon Q&A, but there were no surprises and, thus, no reaction in rates. Lenders were free to reprice for the better if they hadn't done so before Powell. Despite the gains, trading levels continue hitting the same resistance marked by 10yr Treasury yields just under 4.20%.

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#### Update

8:18 AM ADP Employment Right in Line With Forecast

#### Update

10:03 AM Stronger Gains After Weaker ISM Data

#### **MBS Morning**

12:00 PM Friendly Data Helping Erase Overnight Weakness

#### Econ Data / Events

- ADP Employment
  146k vs 150k f'cast, 233k prev
  - S&P Services PMI
    - 56.1 vs 57.0 f'cast, 55.0 prev
  - ISM Services
    - 52.1 vs 55.5 f'cast, 56.0 prev

#### Market Movement Recap

- 08:23 AM Moderately weaker overnight and little-changed after ADP data. MBS down 6 ticks (.19) and 10yr up 5bps at 4.273
- 10:03 AM MBS up to "unchanged" after the ISM data. 10yr up 1.6bps at 4.24. MBS outperforming due to strength in the short end of the yield curve (i.e. 2yr yields are down 0.8bps on the day).
- 12:12 PM stronger still... MBS up an eighth and 10yr down 2.8bps at 4.196
- 03:02 PM Steady near best levels. MBS up 5 ticks (.16) and 10yr down 4.1bps 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. So far this week, data has merely helped rates hold near their lowest recent levels. The only major report left is Friday's jobs report.

#### Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
  - **4.49**
  - **4.43**
- Floor/Resistance
  - **4.12**
  - ° 4.20
  - **4.30**
  - **4.35**



#### MBS & Treasury Markets

**US Treasuries** 

	of frequency					
-0.040%	4.184%	10 YR				

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2 YR	4.130%	-0.049%
30 YR	4.349%	-0.058%
5 YR	4.070%	-0.055%

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