

MBS & TREASURY MARKETS

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MBS Recap: Inconsequential Weakness



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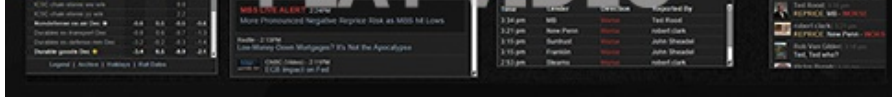


Inconsequential Weakness

MBS Recap | Matthew Graham | 5:02 PM

Bonds lost a moderate amount of ground on Monday with 10yr yields moving back above the levels seen before last Friday's jobs report. MBS didn't lose quite as much ground thanks to their higher correlation with shorter-dated Treasuries these days. There were no significant economic reports and it was the lowest volume day of the year so far--a stunning reality considering that honor would usually go to the Friday after Thanksgiving. In addition to the low volume qualifier, today's weakness is inconsequential simply because it keeps bonds right in line with the flat-line in yields seen over the past 6 trading days. If anything, Friday was the outlier there and today is just another day with 10yr yields near 4.20. It's also just another day where bonds are grinding sideways as they wait for bigger inspiration.





Watch the Video

MBS Morning

10:38 AM Reinforcing The Range

Alert

3:29 PM MBS Down an Eighth From AM Levels

Econ Data / Events

- Wholesale Inventories
 - 0.2 vs 0.2 f'cast, -0.2 prev

Market Movement Recap

- 10:04 AM Initially stronger overnight, then weaker in Europe and in early domestic session. MBS down almost an eighth. 10yr up 3.6 bps at 4.191
- 01:51 PM Unchanged from previous levels in MBS. 10yr now up only 3.3bps at 4.187
- 04:19 PM Weakest levels now with MBS down 6 ticks on the day and 10yr up 4.2bps at 4.196

Lock / Float Considerations

- Rates are at the lowest levels in a month and a half after the jobs report. That's a compelling lock opportunity for the risk averse crowd. While there's no guarantee that recently friendly momentum will continue, the risk-tolerant crowd tends to approach these scenarios from a "trailing stop" mindset (i.e. waiting for bond market weakness to force their hands). As always, the specific amount of weakness would be a subjective decision for the client/scenario in question.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
 - o 4.43

- 4.35
- 4.30
- 4.20

- Floor/Resistance

- 3.99
- 4.12

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	4.195%	+0.041%
2 YR	4.135%	+0.031%
30 YR	4.388%	+0.050%
5 YR	4.076%	+0.041%

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