

MBS & TREASURY MARKETS

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MBS Recap: Ready For Anything After Pre-CPI Consolidation

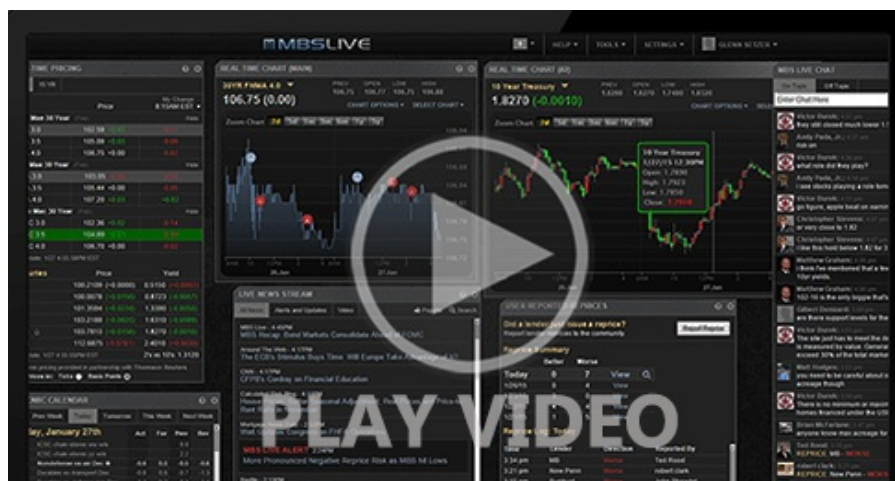


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Ready For Anything After Pre-CPI Consolidation

MBS Recap | Matthew Graham | 4:10 PM

Bonds were arguably consolidating ahead of last Friday's jobs report with the reaction representing a bit of a bullish breakout. Since then, there's been a quick and obvious re-consolidation back in line with last week's M-Th levels. Today added to that process with most of the selling taking place by the start of the US trading session. Perhaps some of the selling has been an attempt to make room for this week's Treasury auctions, but there's no question that Wednesday morning's CPI data is the last significant piece of the puzzle that the Fed will receive before deciding "to cut or not to cut" next week. The market knows this, of course. As such, a big deviation from forecasts would definitely be enough to get things moving.



MBS Morning

10:40 AM Inconsequential Weakness Part 2

Market Movement Recap

- 09:13 AM Modest weakness overnight. MBS down 5 ticks (.16) and 10yr up 2.7bps at 4.225.
- 12:50 PM MBS sideways, still down 5 ticks (.16). 10yr up 4bps at 4.239.
- 03:23 PM Some strength in PM hours. MBS down 2 ticks (.06) and 10yr up 2.4bps at 4.223

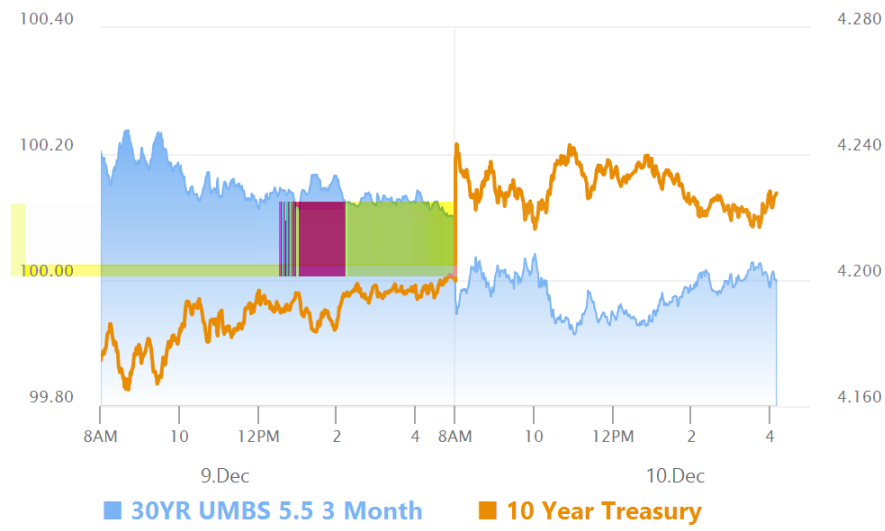
Lock / Float Considerations

- 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
 - o 4.35
 - o 4.30
 - o 4.20
- Floor/Resistance
 - o 3.99
 - o 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 | 4.227% | +0.029% |
| 2 YR | 4.146% | +0.025% |
| 30 YR | 4.419% | +0.032% |
| 5 YR | 4.098% | +0.014% |

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