MBS & TREASURY MARKETS

Daily Coverage. Industry Leading Perspective.

MBS Recap: Why Bonds Sold Off After a Decent AM Rally



John Small Mortgage Loan Officer, DMV Home Funding L.L.C.

www.dmvhomefunding.com/jsmall jsmall@dmvhomefunding.com

14151-A Robert Paris Court Chantilly VA 20151 DMVHF NMLS#1874961 MLO NMLS#1712144



Why Bonds Sold Off After a Decent AM Rally

MBS Recap Matthew Graham | 4:15 PM

It was a day for "explanations" in the bond market with the morning rally needing to be explained in the context of CPI data that came in right on the screws and a subsequent sell-off that also seemed to happen for no apparent reason. In fact, selling continued even after the well-received 10yr Treasury auction. To some extent, the AM selling can be tied to the Bank of Canada announcement, which was universally panned as ultra-hawkish (despite a 0.50% rate cut). The continued selling is more mysterious and can only really be explained with curve trading and repositioning following the AM CPI data. The big clue: Fed Funds Futures for next week rallied and never sold off. But the farther one moves into the future, the bigger the reversal became. Bottom line, traders sold long term bonds to buy the shortest term debt and the buying hasn't even necessarily taken place yet.

			MMBSLIVE		M			
INC PROP	πú	0.0	HEAL THE CHART MAN	0.0	HEAL THE OWNER HOP			MES LIVE OWN
12.18				96.07 106.75 106.88	10 Year Destury *	PROV 0708 1.04 (40)		COCC III IN
	Pro	Ny-Damp Experies		OTIONI · MARCIONAT ·	1.8270 (-0.0010)	LON 1029 CHIEFE	NECOTIONS - SO	Gen Outnes
Red 10 Year			June Carl 24 That that that the top		Described IN SEC.	THE REPAIR AND		The ball and the second
					and the second se			They still chosed much lower 1
								Andy Paulo, Aug. 1. Cont.
						18 Feat Descary		Contractor Dente 1 in con
ine 30 Year			1.1.1	114.11		100/05 12 305	A	Control Darreite 1 in control and the states
			1146			Open: 1,7830 High: 1,7821		Anty Parts, Act of Mark
	100.44 -0.00			APRIL HAN		Low 1.7008	100	24 rand starts playing a rain for
			1 U 800.0			Occ. 1 7910	1.1	The barrier of the second seco
Red Dil Tree							-	
				TORONO DE			61	Christopher Einenne + + + +
						Land I		Christianer Gevennel + 17 -
	106.75 -0.00		10			100		The loss has been being a fight for
			the first have been been	Sec. 1				Muthew Grahami + 11 pr

© MBS Live, LLC. All rights reserved. This newsletter is a service of MBS Live.



Watch the Video

Update

8:46 AM CPI Right on The Screws. Bonds Rallying a Bit

Alert

10:33 AM MBS More Than an Eighth Below Highs

MBS Morning

10:52 AM Why Bonds Rallied After CPI (And Why They Reversed Course an Hour Later)

Alert

1:43 PM Weakest Levels of The Day

Econ Data / Events

- • Core M/M CPI
 - 0.3 vs 0.3 f'cast, 0.3 prev
 - unrounded, 0.308
 - Core Y/Y CPI
 - 3.3 vs 3.3 f'cast, 3.3 prev
 - Shelter CPI M/M
 - 0.336 vs .382 prev

Market Movement Recap

09:04 AM Weaker overnight and stronger after CPI. MBS up 7 ticks (.22) and 10yr down 0.5bps at 4.216.

- 10:30 AM Giving up gains. MBS up only 3 ticks (.09) and 10yr up 1.8bps at 4.239
- 01:14 PM Strong 10yr auction, but being traded in more of a "no whammies" kind of way. 10yr still up 2.3bps at 4.243 and MBS unchanged.

02:07 PM

Lock / Float Considerations

Wednesday's mid-day reversal for bonds raised questions for risk-tolerant clients who'd been waiting for a big enough reversal to serve as a lock cue. While the damage was minimal in outright terms, it brings yields to the highest level in 2 weeks and it does so against a data backdrop that would not necessarily justify such weakness. Risk averse clients have been and continue to be lock biased.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
 - **4.43**
 - **4.35**
 - **4.30**
 - **4.20**
- Floor/Resistance
 - o **3.99**
 - **4.12**



MBS & Treasury Markets

© MBS Live, LLC. All rights reserved. This newsletter is a service of MBS Live.

US Treasuries						
10 YR	4.267%	+0.046%				
2 YR	4.151%	+0.013%				
30 YR	4.474%	+0.062%				
5 YR	4.131%	+0.036%				

Open Dashboard

Share This