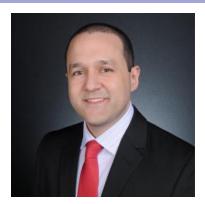
# MBS & TREASURY MARKETS

Daily Coverage. Industry Leading Perspective.

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



Dagoberto Castillo Broker Owner, Obtain A Mortgage, LLC

ObtainAmortgage.com M: (954) 271-2995

3750 NW 87th Ave, Suite 700 Doral FL 33178 Dagoberto Castillo - NMLS # 385009 Obtain A Mortgage, LLC - NMLS # 2636344

OBTAIN A MORTGAGE.COM

# 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.

			MMB	SLIVE	10					
Int Paces	<b>6</b>	0.0	HEAL THE CHART MANE		0 0 (HAL THE	Drankii (KD)				MUSLINE OWN
1.14			DEPERTONNAL #	PROF 1993 LON MOR 996,75 106,77 106,75 106,88		1.8270 (-0.0010)				COLUMN STOR
	ine .	106.75 (0.00)		CHARTONNA MART	1 1 1 1 1 1 1			ALLER REAL CONTRACTOR STATE	Gen Outron	
Ware 10 Year / Faile		June Charl 24 THE THE THE THE THE THE THE			Door Chart M THE THE THE THE THE THE THE				The late bank and an	
18.		100	The second			THE CALL IN THE PART AND THE LEWIS CALL				They still chosed much low
5.5	10108-00100									And Parts And a Contract of the
10	10675-680					- A		S Fran Treasury		Constant Darak Lines
fee 10 Year					1010	12.0		101/1512.30	9 A.	Ball and the Rey play?
18	10.00	1000	11.08			1				And And Parks, Martin Mart
15	101441-0.00		I MARINE IN THE	ILL APPEAR	- HARA			644 1.7423 em 1.7858	100	Take stocks playing a role
40	10720-000		1 IV 1000 (					New 1,7810	10.0	De ter Darak,
March 10 Kings										an Agure, apple beat of a

© 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.

### 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**

<sup>©</sup> MBS Live, LLC. All rights reserved. This newsletter is a service of MBS Live.

15YR UMBS-15 5.0

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