

# MBS & TREASURY MARKETS

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## MBS Recap: Mediocre Data Has Done Nothing to Help Bonds



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## Mediocre Data Has Done Nothing to Help Bonds

MBS Recap | Matthew Graham | 4:36 PM

Granted, this week's slate of economic data isn't on quite the same level as NFP week, but neither have offered any seriously upbeat reports. Today's PPI and yesterday's CPI both hit forecasts at the monthly level. Jobless Claims certainly weren't bullish for the labor market. Bond traders even jumped on a quick AM rally in response to the 8:30am data (both today and yesterday). But like yesterday, it was over soon after it began and the rest of the day was dominated by steady selling. We can blame heavy selling in Europe for the timing of today's reversal, but Treasury traders kept the bad times rolling well after EU markets closed.





Watch the Video

## Update

8:44 AM Mixed Data, But Decent Reaction So Far

## Alert

10:02 AM Giving Up All The AM Gains

## MBS Morning

10:27 AM Solid Start Despite Hotter PPI, But Europe Has Other Ideas

## Alert

2:02 PM More New Lows

## Econ Data / Events

- ○ Core Producer Prices MM
  - 0.2 vs 0.2 f'cast, 0.3 prev
- Core Producer Prices YY
  - 3.4 vs 3.2 f'cast, 3.1 prev
- Jobless Claims
  - 242k vs 220k f'cast, 224k prev

## Market Movement Recap

- 09:35 AM Slightly weaker overnight, recovering a bit after data and weakening a bit with EU markets after ECB announcement. MBS down 1 tick (.03) and 10yr up just under 1bp at 4.292
- 02:02 PM MBS now down 6 ticks (.19) on the day 10 yr yields are also up to new highs for the day at 4.320%.
- 03:26 PM Weaker still... MBS down 9 ticks (.28) and 10yr up 4.3bps at 4.327

## Lock / Float Considerations

- Thursday was a carbon copy of Wednesday with initial strength giving way to a reversal and sell-off. If Wednesday didn't sufficiently raise questions for risk-tolerant floaters, the two day combo is more compelling. Yields are now near 3 week highs in a move that's occurred without any super strong economic data. That makes a case for a lock-biased stance until something changes (reassessing after next week's Fed announcement).

## 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	4.333%	+0.049%
2 YR	4.194%	+0.045%
30 YR	4.552%	+0.070%
5 YR	4.188%	+0.050%

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