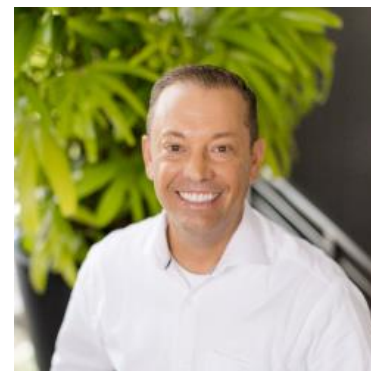


MBS & TREASURY MARKETS

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MBS Recap: Calm and Resilient as Bonds Wait For Powell and The Dot Plot



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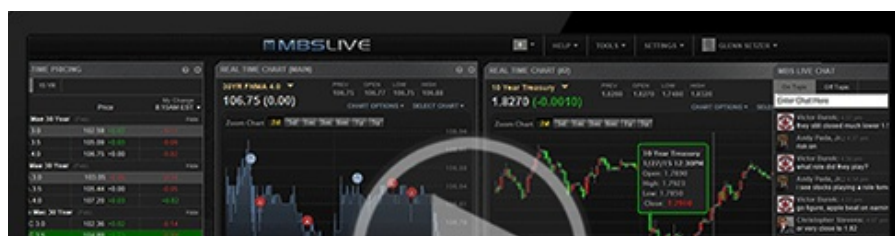
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Calm and Resilient as Bonds Wait For Powell and The Dot Plot

MBS Recap | Matthew Graham | 3:56 PM

Whereas last week saw the bond market continue selling off without overt provocation, the first two days of the present week have seen far more equanimity and even resilience. Today's example involved a modest rally following a mixed bag of Retail Sales data. Bonds didn't move much after recovering overnight losses, so now it's on to tomorrow's Fed announcement. Markets know the Fed will cut and that the dot plot (aka rate outlook survey that's updated 4 times per year and closely watched by bonds) will show a higher rate trajectory than September. We also know Powell should sound a lot like his last few public appearances. What we don't know is how gloomy of a dot plot or how hawkish of a Powell the market is willing to accept. At the risk of jinxing it, this Fed meeting doesn't feel nearly as consequential as September, but could nonetheless help set the tone into the end of the year.





Watch the Video

Update

8:40 AM Hotter Retail Sales, But Internals Are Softer. Bonds Not Mad

MBS Morning

11:05 AM Once Again, Bonds Fight Back Against Stronger Data

Econ Data / Events

- ○ Retail Sales
 - 0.7 vs 0.5 fcast, 0.4 prev
- Retail Sales excluding autos
 - 0.2 vs 0.4 fcast, 0.2 prev

Market Movement Recap

- 08:41 AM modestly weaker overnight and little-changed after mixed retail sales data. MBS down an eighth and 10yr up 3bps at 4.429
- 12:46 PM MBS up 1 tick (.03) and 10yr down 1.9bps at 4.382
- 02:08 PM MBS unchanged and 10yr down 1.7bps at 4.384
- 03:42 PM Losing ground slightly. MBS down 1 tick (.03) and 10yr down less than half a bp at 4.397

Lock / Float Considerations

- The new week is off to a bit of a different start when compared to last week's moderate but pervasive weakness. So far, this has simply meant "sideways" for bonds/rates. A full-fledged reversal would require a positive reaction to this week's data and Fed announcement (and dot plot).

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 | 4.396% | -0.006% |
| 2 YR | 4.245% | -0.010% |
| 30 YR | 4.587% | -0.012% |
| 5 YR | 4.257% | +0.002% |

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