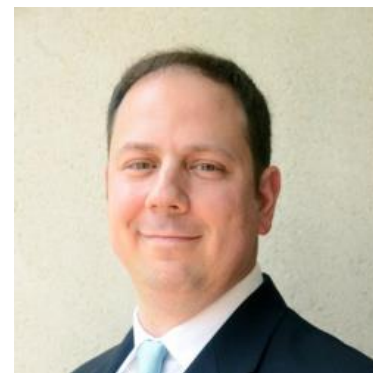


MBS & TREASURY MARKETS

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MBS Recap: Fairly Uneventful Follow-Up to Fed Day

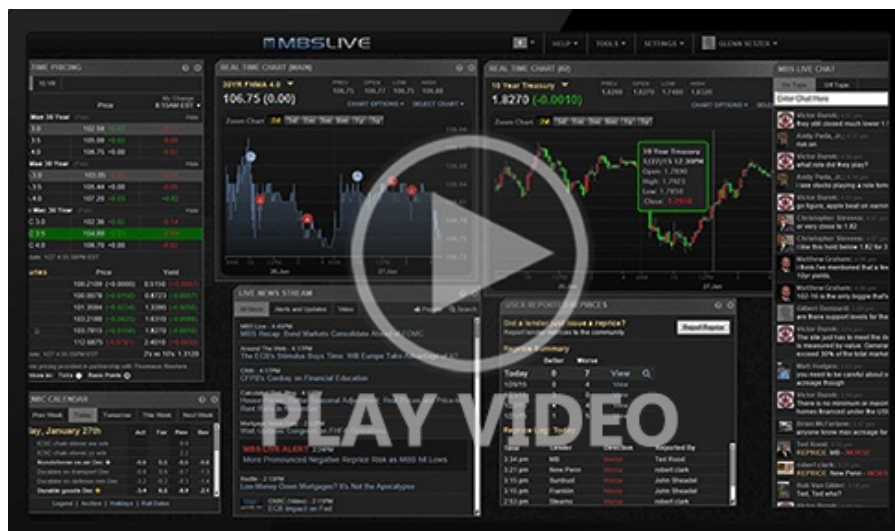


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Fairly Uneventful Follow-Up to Fed Day

MBS Recap | Matthew Graham | 4:29 PM

Considering everything that transpired yesterday, today's follow-up was about as calm as we could have hoped for. Bonds lost ground, but the losses were focused on the long end of the curve. That limited the damage for MBS, which have been hanging out with the middle of the curve these days. AM econ data was a mixed bag despite appearing to be unfriendly at first glance. If it had any ill effect, it was minimal. In the bigger picture, Thursday simply represented a leveling-off after Wednesday's rout. Friday brings monthly PCE inflation, which is certainly capable of causing a big reaction, but it almost never lives up to that potential.



Update

8:37 AM Mixed Bag of Data But No Major Reaction So Far

Alert

10:05 AM MBS Down More Than an Eighth

MBS Morning

10:29 AM Weaker Momentum Continues, Regardless of Data

Econ Data / Events

- ○ GDP
 - 3.1 vs 2.8 f'cast, 3.0 prev
- Philly Fed Index
 - -16.4 vs 3.0 f'cast, -5.5 prev
- Philly Fed Prices
 - 31.2 vs 26.6 prev
- Jobless Claims
 - 220k vs 230k f'cast, 242k prev
- Continued Claims
 - 1874k vs 1890k f'cast

Market Movement Recap

- 09:14 AM Sideways to slightly weaker overnight and little-changed after AM data. MBS down 1 tick (.03) and 10yr up 2.3bps at 4.537
- 02:08 PM Modest additional weakness into 1:30pm. MBS down 3 ticks (.09) and 10yr up 3.7bps at 4.552

Lock / Float Considerations

- All bets are off until further notice following the Fed day rout. That said, it has been and continues to be the case that any meaningful improvement in rates will require downbeat economic data and softer inflation. At this point in the year, we're waiting until early January for the next major shoes to drop (NFP and GDP, specifically)

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
 - o 4.57
 - o 4.50

- Floor/Resistance
 - o 4.20
 - o 4.30
 - o 4.35
 - o 4.43

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	4.569%	+0.054%
2 YR	4.317%	-0.038%
30 YR	4.698%	+0.108%
5 YR	4.422%	+0.014%

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