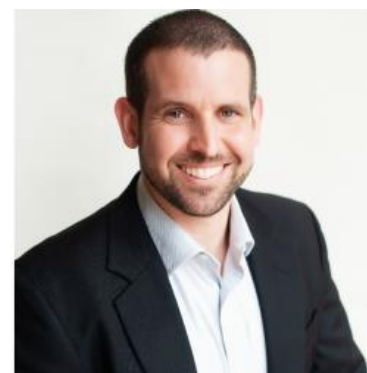


MBS & TREASURY MARKETS

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MBS Recap: Steady Selling in Bonds. 'Tis The Season?



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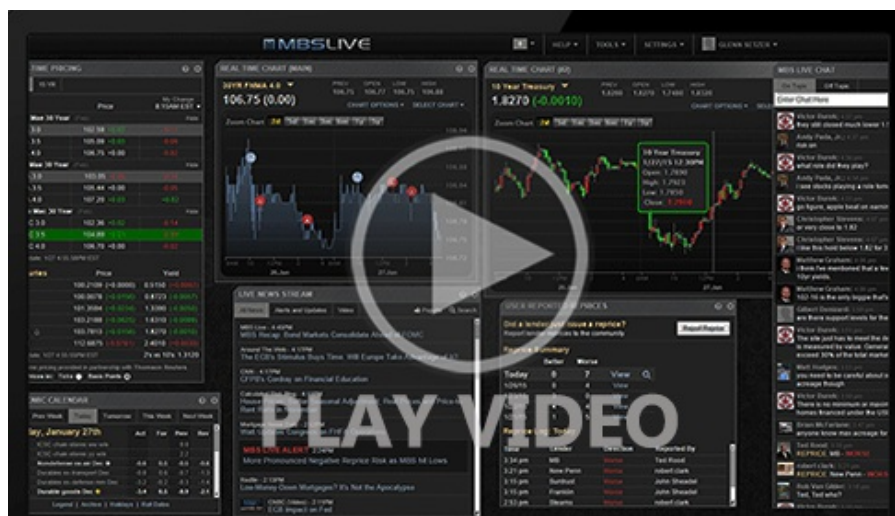
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Steady Selling in Bonds. 'Tis The Season?

MBS Recap | Matthew Graham | 4:00 PM

Bonds began the day in weaker territory and continued to sell off through 2pm ET despite an absence of any obvious justifications. That said, 'tis the season for bonds to move whichever way they want without any obvious justifications. Volumes were as low as you'd expect for X-mas week, if not slightly lower. Treasuries are in a cautious stance, having been tasked with underwriting several huge shorter term auctions on X-mas week, and less than one week after a big dust-up with the Fed. It's basically the bond market version of "sell in May and go away," except May is December.



Alert

10:07 AM Down an Eighth From Highs, But Weaker Data Could Help

MBS Morning

12:30 PM No Help From Weaker Econ Data. Holiday Week Idiosyncrasies

Alert

2:15 PM Down More Than a Quarter Point

Market Movement Recap

- 08:39 AM modestly weaker overnight, mostly after Europe opened. MBS down 2 ticks (.06) and 10yr up 3.5bps at 4.549
- 10:16 AM Weaker over the past 45 minutes. MBS down 7 ticks (.22) and 10yr up 5bps at 4.564
- 03:03 PM Weakest levels of the day with MBS down 10 ticks (.31) and 10yr yield up 7.7bps at 4.592

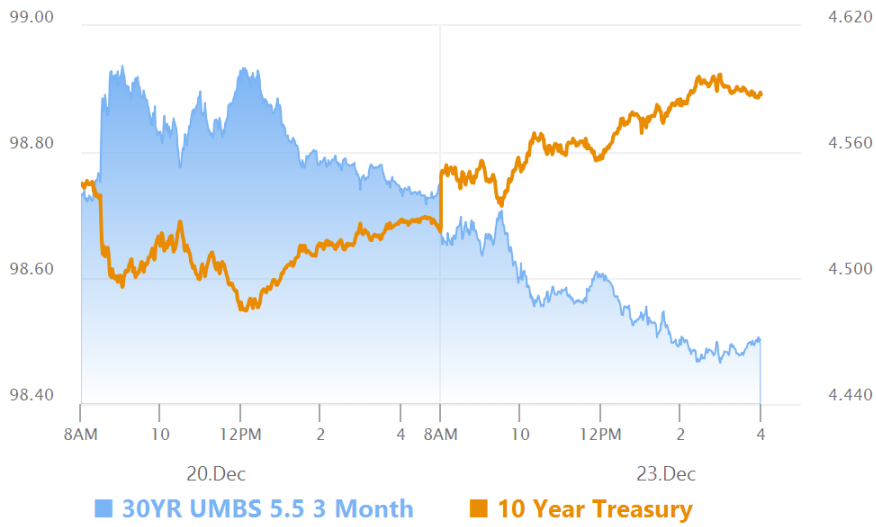
Lock / Float Considerations

- 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 CPI, specifically).

Technical/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 | 4.588% | +0.073% |
| 2 YR | 4.340% | +0.033% |
| 30 YR | 4.774% | +0.055% |
| 5 YR | 4.435% | +0.057% |

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