

MBS & TREASURY MARKETS

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MBS Recap: Weaker Afternoon, But Still Uneventful



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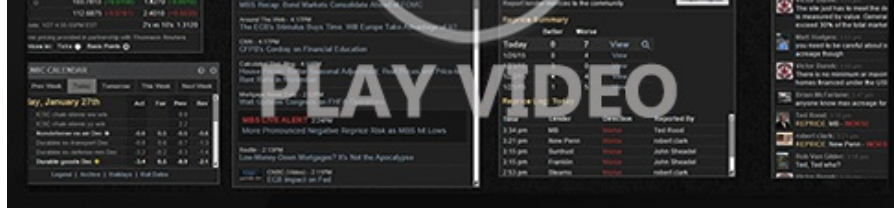


Weaker Afternoon, But Still Uneventful

MBS Recap | Matthew Graham | 4:56 PM

Bonds began the day in decent shape by pushing back against weakness during European hours. MBS were briefly in just-barely-positive territory in the first hour. Things deteriorated very slowly, but very steadily after that. It took the entire trading session for MBS to give up an eighth of a point. 10yr Treasuries had it worse, with yields moving back up near yesterday morning's highs. Chalk that up to ongoing "curve steepening" (fancy talk for 10yr yields rising faster than 2yr yields, and combine that notion with the fact that the average mortgage trades more like a 5yr Treasury these days). Modest volatility aside, volume and **liquidity** remained "holiday low." Next week brings different risks, mainly due to the chance that some big traders will be able to reposition bond portfolios after 2024 is officially over. These could go either way. The bigger volatility risk won't show up until the delayed jobs report on Jan 10th.





[Watch the Video](#)

MBS Morning

9:31 AM Weaker in Europe, But Reasonably Resilient in Early US Trading

Alert

2:48 PM New Lows and Modest Reprice Risk

Econ Data / Events

- Wholesale Inventories
 - -0.2 vs 0.2 fcast, 0.2 prev

Market Movement Recap

- 09:08 AM Slightly weaker overnight, all during European hours. Holding ground now with 10yr up 1.6bps at 4.594 and MBS down 1 tick (.03).
- 11:17 AM 10yr up 1.5bps at 4.593. MBS unchanged.
- 02:05 PM hovering near weakest levels. MBS down 2 ticks (.06) and 10yr up 3.5bps at 4.612

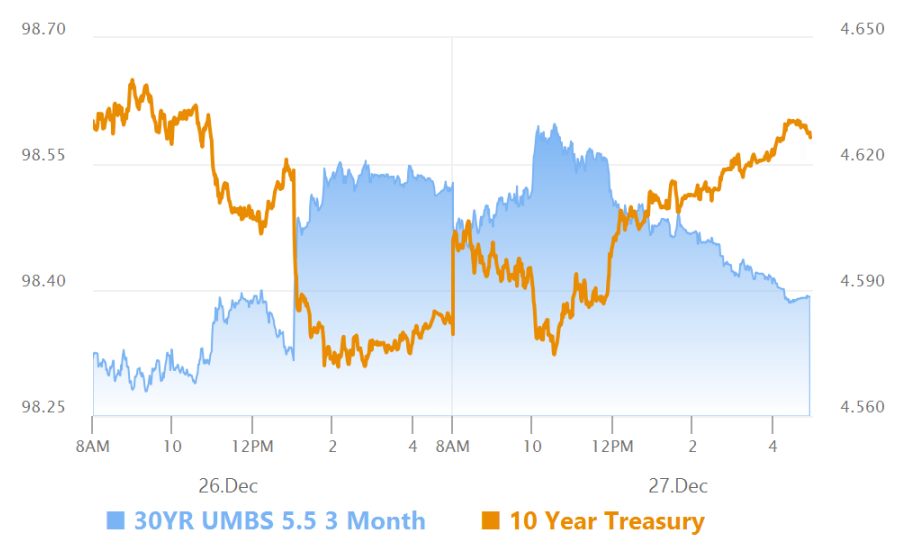
Lock / Float Considerations

- Rates continue muddling along at or near longer-term highs following the December 18th Fed announcement. There haven't been any glorious recoveries since then. If we hope to see one, it would depend on big ticket econ data like the jobs report or CPI (Jan 10th and 15th respectively). Random volatility remains a risk in the New Year holiday week. If we see calendar-driven support, it wouldn't be until Thursday and even then (and to reiterate), bigger victories require bigger data.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
 - o 4.74
 - o 4.67
- Floor/Resistance
 - o 4.30
 - o 4.35
 - o 4.43
 - o 4.50
 - o 4.57

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	4.626%	+0.049%
2 YR	4.330%	+0.007%
30 YR	4.819%	+0.055%
5 YR	4.464%	+0.025%

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