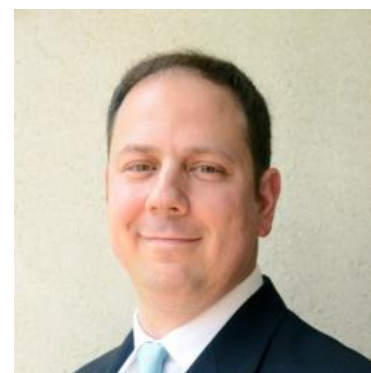


MBS & TREASURY MARKETS

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MBS Recap: Feel Free to Enjoy The Rally, But Don't Read Too Much Into It

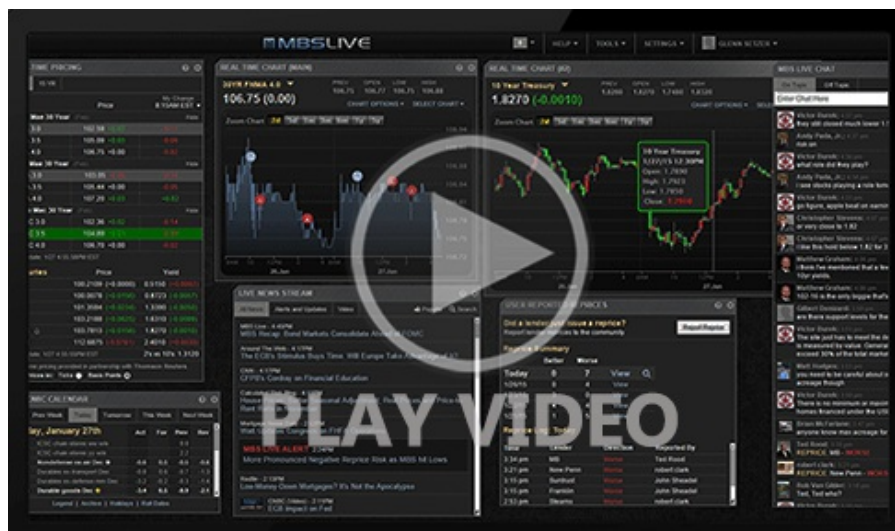


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Feel Free to Enjoy The Rally, But Don't Read Too Much Into It

MBS Recap | Matthew Graham | 3:56 PM

Bonds improved somewhat significantly in overnight trading and continued into stronger territory through 10:20am ET. This morning's Chicago PMI data was weak enough to deserve consideration as a catalyst for bond buying except for the fact that yields were already 8bps lower by the time the data came out. To be fair, it did help the rally extend just a bit. After that, the rest of the day was remarkably flat with trading levels right in line with those seen at the very beginning of the previous week. In other words, today's gains are "nice," but they are just a byproduct of the bond market working through the typical end of year illiquidity.



MBS Morning

10:49 AM What's Up With These Crazy Gains on Monday Morning?!

Econ Data / Events

- ○ Chicago PMI
 - 36.9 vs 42.5 f'cast, 40.2 prev

Market Movement Recap

- 09:49 AM Slightly stronger overnight. More buying early. MBS up 10 ticks (.31) and 10yr down 8bps at 4.549
- 01:51 PM Little changed from AM levels. MBS up 11 ticks (.34) and 10yr down 8bps at 4.549
- 03:47 PM Effectively unchanged from the last update. MBS up 10 ticks (.31) and 10yr down 8.2bps at 4.545

Lock / Float Considerations

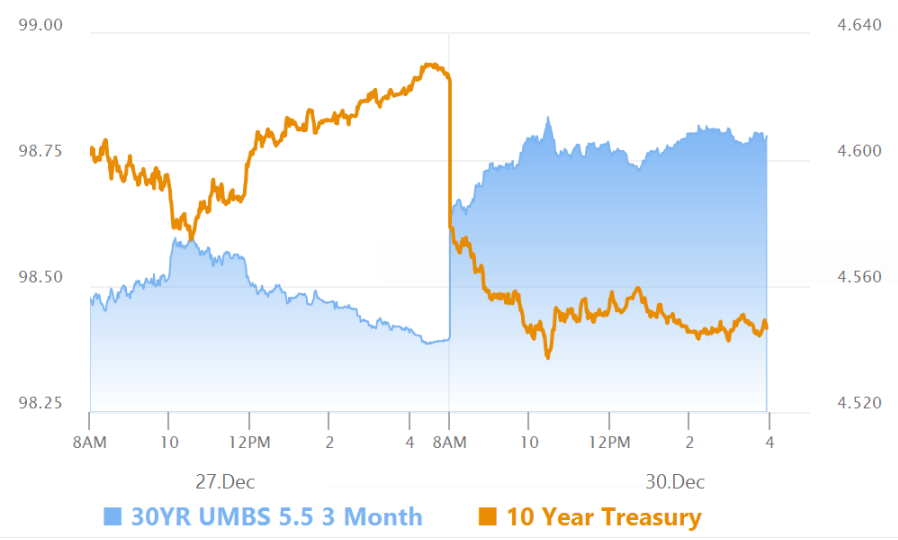
- Rates continue muddling along at or near longer-term highs following the December 18th Fed announcement. There haven't been any glorious recoveries since then. If we hope to see one, it would depend on big ticket econ data like the jobs report or CPI (Jan 10th and 15th respectively). Random volatility 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")
 - 4.74
 - 4.67
- Floor/Resistance
 - 4.30
 - 4.35
 - 4.43
 - 4.50

4.50
○ 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	4.547%	-0.080%
2 YR	4.255%	-0.071%
30 YR	4.767%	-0.054%
5 YR	4.372%	-0.089%

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