

MBS & TREASURY MARKETS

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MBS Recap: Year-End Trading. No Big Deal



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Year-End Trading. No Big Deal

MBS Recap | Matthew Graham | 2:19 PM

Bonds started stronger but lost ground quickly and inexplicably starting around 10:30am ET. This was a classic example of year-end trading causing random volatility. It had nothing to do with news, data, or any other typical motivations. Bonds are now closed for the day/month/year and will be back in action on Thursday. Happy New Year!





Watch the Video

MBS Morning

10:00 AM A Very Easy Explanation For MBS Underperformance

Alert

11:08 AM MBS Down an Eighth From Highs

Alert

12:24 PM Negative Reprices Becoming More Likely

Econ Data / Events

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

Market Movement Recap

- 09:31 AM MBS down an eighth and 10yr down 2bps at 4.52
- 12:22 PM Month-end trading taking a quick toll. MBS down a quarter point and 10yr up 4.7bps at 4.586
- 02:18 PM Heading out just off the weakest levels. MBS down 6 ticks (.19) and 10yr up 3.3bps at 4.572

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 | 4.572% | +0.033% |
| 2 YR | 4.243% | -0.009% |
| 30 YR | 4.783% | +0.032% |
| 5 YR | 4.382% | +0.064% |

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