

MBS & TREASURY MARKETS

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MBS Recap: Small Scale Volatility as Bonds Wait For Jobs Report



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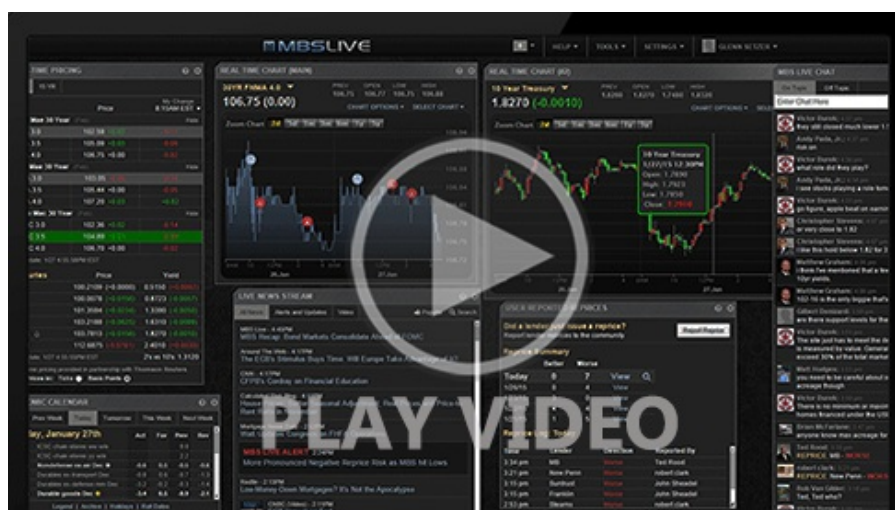
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Small Scale Volatility as Bonds Wait For Jobs Report

MBS Recap | Matthew Graham | 4:11 PM

Bonds lost ground this morning despite a weaker S&P PMI headline. While there were some mitigating factors beyond the headline, we could just as easily conclude that traders are erring on the side of caution heading into a week of Treasury auction supply with another big jobs report on Friday--all while being forced to wait an unknown amount of time to find out where the rubber meets the road on fiscal policies that could further affect the outlook for the economy, inflation, and Treasury issuance. All told, today's volatility was mild at best and we didn't learn anything new about the bigger picture.



MBS Morning

10:31 AM No Help From Econ Data as Bonds Prepare For Supply

Alert

10:36 AM Down More Than a Quarter Point From AM Highs

Econ Data / Events

- ○ S&P Services PMI
 - 56.8 vs 58.5 f'cast

Market Movement Recap

- 09:47 AM Slightly stronger overnight but backtracking in first 2 hours. MBS down 2 ticks (.06) and 10yr up 2.4bps at 4.622
- 10:37 AM Weakest levels. MBS down more than a quarter from highs and 5 ticks (.16) on the day. 10yr up 3.8bps at 4.636
- 02:04 PM modest recovery into the noon hour, but falling a bit since then. MBS down 2 ticks (.06) and 10yr up 2.9bps at 4.627
- 04:11 PM Calming down in after hours trading. MBS down only 1 tick (.03) and 10yr yields up 1.2bps at 4.61.

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).

Technical/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
- 4.57

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	4.610%	+0.012%
2 YR	4.261%	-0.017%
30 YR	4.830%	+0.018%
5 YR	4.409%	-0.005%

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