

# MBS & TREASURY MARKETS

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## MBS Recap: Broad, Negative Momentum is Masking Normal Market Movers



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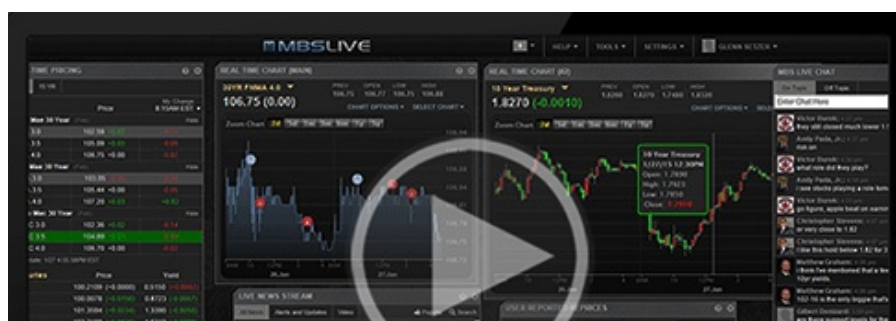
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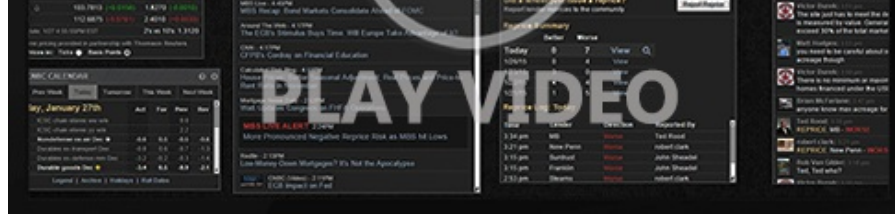


## Broad, Negative Momentum is Masking Normal Market Movers

MBS Recap | Matthew Graham | 4:44 PM

Tuesday featured a much weaker PPI report that failed to inspire any lasting rally in the bond market. While there were a few ways to reconcile that specific turn of events by examining the internal components of the data, it's also true that bond market momentum has been broadly negative recently. At times like this, data has to work harder if it wants to push rates lower. It can even seem like rates move higher whether the data is good or bad. Today's recap video includes an in-depth assessment of this phenomenon. Long story short, things are still mostly logical, as long as we're considering all the pieces on the board.





Watch the Video

## Update

8:35 AM Moderate Gains After Sharply Lower PPI

## MBS Morning

12:02 PM Why Isn't PPI Helping Bonds This Morning?

## Econ Data / Events

- ○ Core PPI M/M
  - 0.0 vs 0.3 fcast, 0.2 prev
- Core PPI Y/Y
  - 3.5 vs 3.8 fcast, 3.5 prev

## Market Movement Recap

- 08:42 AM initial gains after PPI, but mostly reversed now. MBS unchanged and 10yr down less than half a bp at 4.781
- 12:15 PM MBS unchanged and 10yr up 1.5bps at 4.798
- 03:04 PM nearly unchanged at the close. MBS up 1 tick (.03) and 10yr unchanged at 4.783

## Lock / Float Considerations

- Strong jobs report reinvigorates the upward trend in rates. The upcoming CPI data can take the pain to the next level or help create some support. In general, this is a lock-biased environment until such time as the data takes a cohesive and decisive turn in a rate-friendly direction. That's not to say there won't be pockets of short-term opportunities, but capitalizing on them would involve luck rather than strategy.

## Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
  - o 4.88
  - o 4.80
  - o 4.74
  - o 4.67
  
- Floor/Resistance
  - o 4.43
  - o 4.50
  - o 4.57

## MBS & Treasury Markets



### MBS

30YR UMBS 6.0		+
30YR UMBS 6.5		+
30YR GNMA 6.0		
15YR UMBS-15 5.0		

### US Treasuries

10 YR	4.792%	+0.009%
2 YR	4.369%	-0.017%
30 YR	4.977%	+0.025%
5 YR	4.598%	-0.003%

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