

MBS Recap: Nice Win For Bonds With Help From Data



Ryan Hillard

Mortgage Broker, Forward Mortgage Group, p/b IMB
NMLS #2191655

www.forwardmortgagegroup.com

P: (720) 201-7261

M: (720) 201-7261

200 Union Blvd
Lakewood Colorado 80228
1226157



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MBS Recap | Matthew Graham | 4:02 PM

There are plenty of moving pieces at the moment when it comes to assigning credit for various ups and downs in the bond market on any given day. Many of those can only be guessed at--or at the very least, debated--due to the uncertain eventual impact from economic policies that have yet to be fully understood or implemented. For example, some would say that bonds benefited from yesterday's news that Trump intends to take over Gaza, but others would say it was a non-event. One thing all bond watchers can agree on is that pedigree reports like ISM Services are highly likely to do logical things to bonds when they come in noticeably weaker or stronger than expected. Today's ISM data was weaker, including the price component. As such, it's no surprise to see an extension of the overnight rally just after the data, with the resulting trading levels lasting for most of the day.



Watch the Video

Update

8:27 AM No Major Reaction to ADP Data

MBS Morning

10:40 AM Making Headway on ISM Data, and Lesser Supporting Actors

Update

3:07 PM MBS Still Much Stronger, But Down Over an Eighth From Highs

Econ Data / Events

- ○ ADP Employment
 - 183k vs 150k f'cast, 122k prev
- ISM Services
 - 52.8 vs 54.3 f'cast, 54.0 prev
- ISM Prices
 - 60.4 vs 64.4 prev

Market Movement Recap

- 08:27 AM MBS up just over an eighth of a point and 10yr down 5bps at 4.46
- 10:45 AM Gains continue after ISM data. MBS up 9 ticks (.28) and 10yr down 8bps at 4.425.
- 01:08 PM Calmly holding best levels of the day. MBS up 3/8ths and 10yr down almost 9 bps at 4.419

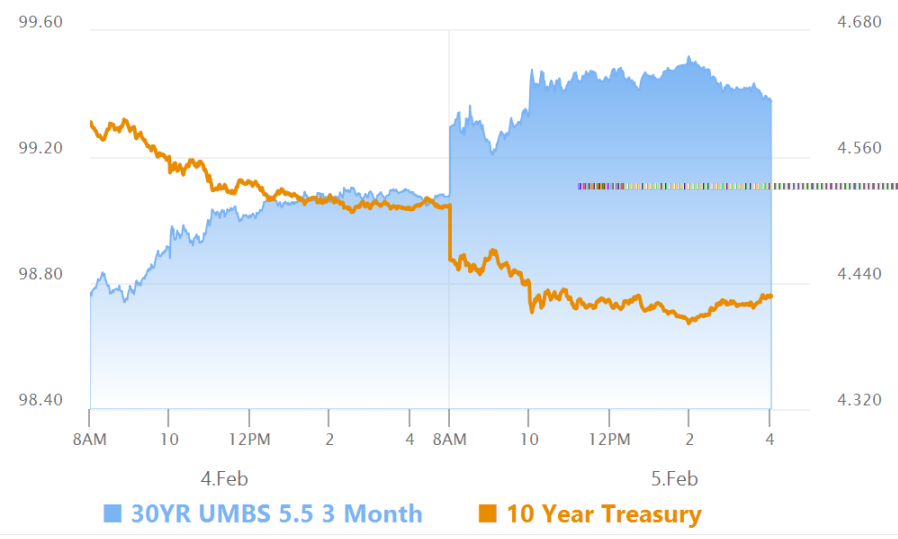
Lock / Float Considerations

- Despite over-the-weekend tariff news, bonds are broadly maintaining plenty of composure. Risk takers continue having some room overhead to set lock triggers. Risk averse clients can keep calm and lock on, until we see a clear data-driven shift in momentum in favor of lower rates. On that note, data represents elevated risks every day of the week, and especially on Thursday night heading into the jobs report.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
 - o 4.74
 - o 4.67
 - o 4.57
 - o 4.50
 - o 4.43
- Floor/Resistance
 - o 4.27
 - o 4.34

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 | 4.427% | -0.079% |
| 2 YR | 4.187% | -0.021% |
| 30 YR | 4.648% | -0.099% |
| 5 YR | 4.251% | -0.065% |

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