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MBS Recap: Paradoxical Rally Gets Logical After Retail Sales



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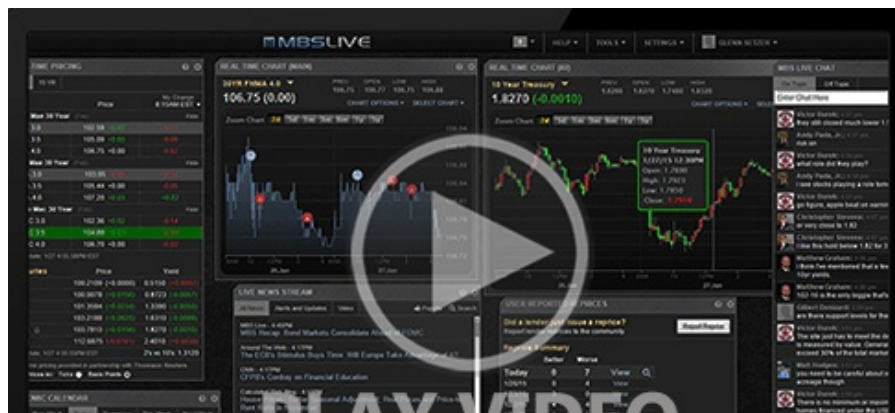
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Paradoxical Rally Gets Logical After Retail Sales

MBS Recap | Matthew Graham | 5:11 PM

If yesterday's PPI-driven rally was a paradox, today's continuation was quite the opposite. While it's not the most reliable market mover among economic reports, Retail Sales can occasionally go big. Today was such an example. Including or excluding the auto sector, sales dropped at the fastest pace in just over year and missed forecasts by the widest margin in several years. That provided a clear mandate for bond traders to press the happy button, ultimately ushering yields to the lowest levels of the week.



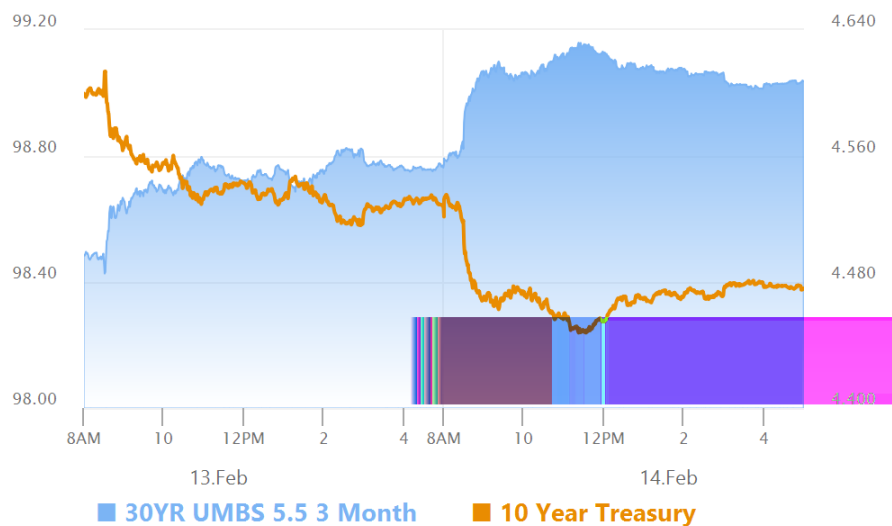
economic argument after Retail Sales. Risk/reward was already essentially back to neutral on Thursday. Friday only added emphasis.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
 - o 4.79
 - o 4.74
 - o 4.67

- Floor/Resistance
 - o 4.34
 - 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	4.476%	-0.056%
2 YR	4.261%	-0.052%
30 YR	4.697%	-0.068%
5 YR	4.328%	-0.065%

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