

MBS & TREASURY MARKETS

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MBS Recap: Very Low Volatility After Early Morning Rally

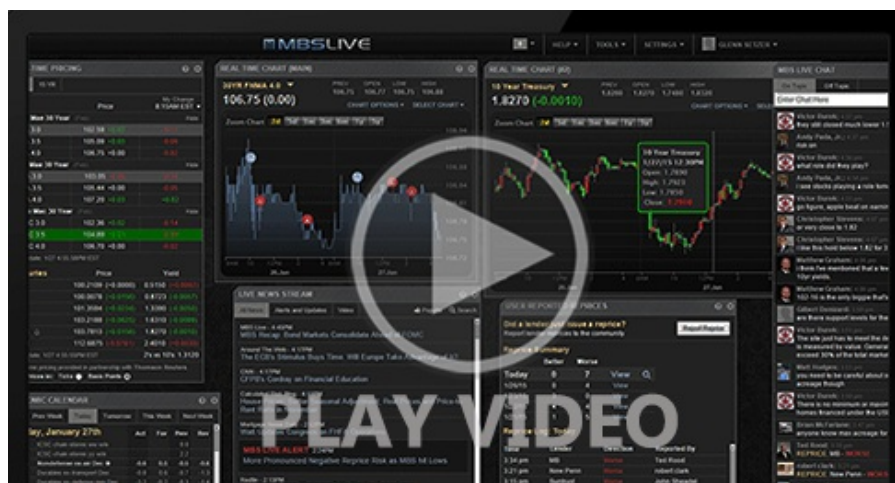


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Very Low Volatility After Early Morning Rally

MBS Recap | Matthew Graham | 4:49 PM

Bonds were sideways to slightly weaker in the overnight session, but bounced back at 7am ET. The two most notable developments at the time were weak earnings from Wal-Mart and a comment from Bessent on the mix of Treasury issuance. While the former may be an easier thing to understand and write about, the latter served as the source of the bond rally. Bessent essentially said he wasn't in a hurry to add more longer-term debt relative to short-term debt, and that's good for things like mortgage rates, all other things being equal. It's also evident in the obvious yield curve disparity with 2yr yields higher on the day and 10yr yields lower.



Update

8:37 AM No Major Reaction to AM Econ Data

MBS Morning

12:00 PM Stronger Start. Thank Walmart or Bessent?

Econ Data / Events

- ○ Jobless Claims
 - 219k vs 215k f'cast, 214k prev
- Continued Claims
 - 1869k vs 1870k f'cast, 1845k prev
- Philly Fed Index
 - 18.1 vs 20.0 f'cast, 44.3 prev
- Philly Fed Prices
 - 40.5 vs 21.90 prev

Market Movement Recap

- 09:29 AM Stronger overnight and modestly weaker after the data. MBS up 1 tick (.03) and 10yr down 1.9bps at 4.514
- 01:37 PM Very flat since the AM rally. MBS up an eighth and 10yr down 3.4bps at 4.50
- 03:48 PM Near best levels amid very low volatility. MBS up 5 ticks (.16) and 10yr down 3.2bps at 4.502

Lock / Float Considerations

- Bonds are back in the stance of waiting for big ticket economic data which is in relatively short supply this week. Risk reward remains fairly neutral amid the lack of data. Friday morning's S&P PMI is an occasional market mover when it falls far enough from forecast. Apart from that, next week's PCE inflation data on Friday is the big to-do.

Technical/Trends in 10yr (why 10yr)

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

- Floor/Resistance
 - 4.34
 - 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	4.506%	-0.027%
2 YR	4.270%	+0.004%
30 YR	4.748%	-0.025%
5 YR	4.345%	-0.024%

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