

# MBS & TREASURY MARKETS

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## MBS Recap: Solid Conclusion to a Solid Week

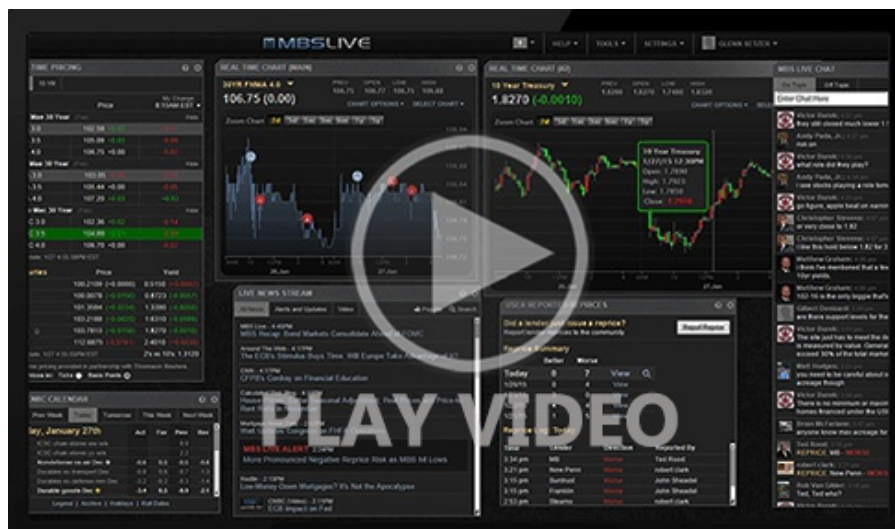


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## Solid Conclusion to a Solid Week

MBS Recap | Matthew Graham | 4:59 PM

Bonds benefited from a one-two punch of economic data and stock market weakness on Friday, eventually helping 10yr yields flirt with their lowest levels since December 18th (Feb 5th and 7th still technically a hair lower). MBS have outperformed over that time, briefly hitting December 13th levels during today's best moments. While the morning gains were clearly tied to the S&P PMI data, afternoon gains came courtesy of a flight to safety with investors dumping stocks aggressively.



Watch the Video

## Update

9:53 AM Big Miss in S&P PMI. Good Reaction in Bonds

## MBS Morning

11:57 AM Near Best Levels in Months After AM Econ Data

### Econ Data / Events

- ○ S&P Services PMI
  - 49.7 vs 53.0 f'cast, 52.9 prev
- S&P Manufacturing PMI
  - 51.6 vs 54.5 f'cast, 51.2 prev
- Consumer Sentiment
  - 64.7 vs 67.8 f'cast, 71.1 prev

### Market Movement Recap

- 09:53 AM moderately stronger overnight with additional gains after the PMI data. MBS up roughly a quarter point and 10yr down 4.5bps at 4.462
- 01:14 PM Stocks are tanking and pulling bond yields lower (not always the way it works, but that's how it's working today). MBS up 10 ticks (.31) and 10yr down 8.8bps at 4.418
- 04:36 PM MBS still 10 ticks higher (.31). 10yr just off strongest levels, down 7.4bps on the day at 4.432

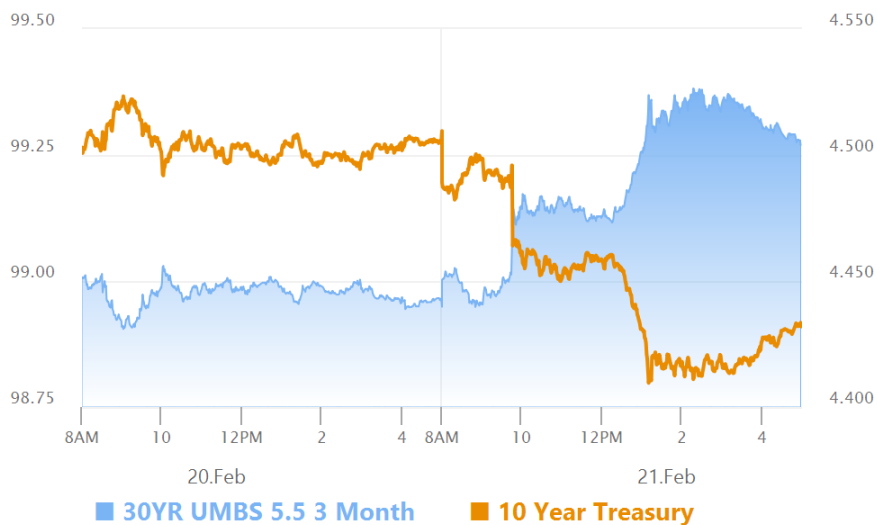
### Lock / Float Considerations

- There are two ways to think about lock/float risks heading into the weekend. On one hand, we had an aggressive rally (relatively) over the past 3 days, and weekends always present a risk of positions unwinding on Monday morning, thus causing a market reversal. On the other hand, we had an afternoon bond market rally that only resulted in a handful of lenders repricing, thus building in about an eighth of a point of cushion in Monday's MBS prices. Risk averse clients are always keen to take advantage of the lowest rates in more than 2 months while risk tolerant clients are enjoying the extra room between current levels and stop-loss lock triggers.

## Technical/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	4.431%	-0.076%
2 YR	4.200%	-0.075%
30 YR	4.680%	-0.073%
5 YR	4.270%	-0.077%

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