

MBS & TREASURY MARKETS

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MBS Recap: Bonds Can Seemingly Do No Wrong



Mike David

Producing Branch Manager,
Oklahoma Mortgage Group

www.OklahomaMortgageGroup.com

P: (918) 361-1550

M: (918) 361-1550

mike@omghomeloans.com

8917 S Yale Avenue

Tulsa Oklahoma 74137

1619714

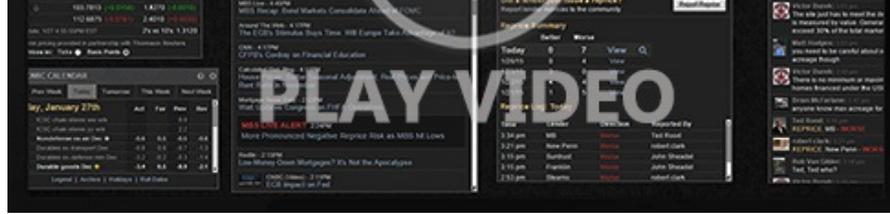


Bonds Can Seemingly Do No Wrong

MBS Recap | Matthew Graham | 4:27 PM

Another day, another example of bonds ignoring the potentially negative cues while continuing to react from the positive ones. Correlation may not be causality, but stock losses have appeared to help facilitate bond buying on multiple occasions since last Friday. Today brought another example with stocks start to falter around 12:30ET following headlines regarding a 25% tariff rate on European imports. Even as stocks have moved off the lows heading into after hours trading, bond yields didn't follow. That leaves us at another "best since early December" level in both Treasuries and MBS.





Watch the Video

MBS Morning

12:01 PM Bonds Holding Recent Gains Despite Stock Market Bounce

Econ Data / Events

- ○ New Home Sales
 - 657k vs 680k f'cast, 698k prev

Market Movement Recap

- 09:48 AM Slow, sideways morning so far. MBS unchanged and 10yr up 0.2bps at 4.3
- 12:43 PM Best levels of the day with MBS up 1 tick (.03) and 10yr down 2.3bps at 4.274
- 03:28 PM New best levels. MBS up 5 ticks (.16) and 10yr down 5.1bps at 4.246

Lock / Float Considerations

- In the midst of what has been an impressively calm/large bond market rally, there are few ways to approach lock/float decisions. First off, although technicals cannot predict the future, Tuesday's addition to the bond market gains brings trading levels closer to the point that some traders will assume technical resistance. This is a short term motivation (because the data will have a bigger impact in the medium term), but it could be worth something to those who are worried about locking only to see rates continue to fall. In general, however, rally days only tend to buy more room to maneuver for the risk-tolerant clients. Risk-averse clients would always be locking the lowest rates in more than a few months anyway.

Technicals/Trends in 10yr (why 10yr)

Coiling/Support (can be used as "lock triggers")

Ceiling/support (can be used as lock triggers)

- - o 4.80
 - o 4.65
 - o 4.57
 - o 4.50
- Floor/Resistance
 - o 4.19
 - o 4.34
 - o 4.40

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	4.257%	-0.040%
2 YR	4.075%	-0.013%
30 YR	4.514%	-0.045%
5 YR	4.084%	-0.058%

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