

MBS & TREASURY MARKETS

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MBS Recap: Trying to Shake Off Overnight Weakness After Mixed Bag of Data



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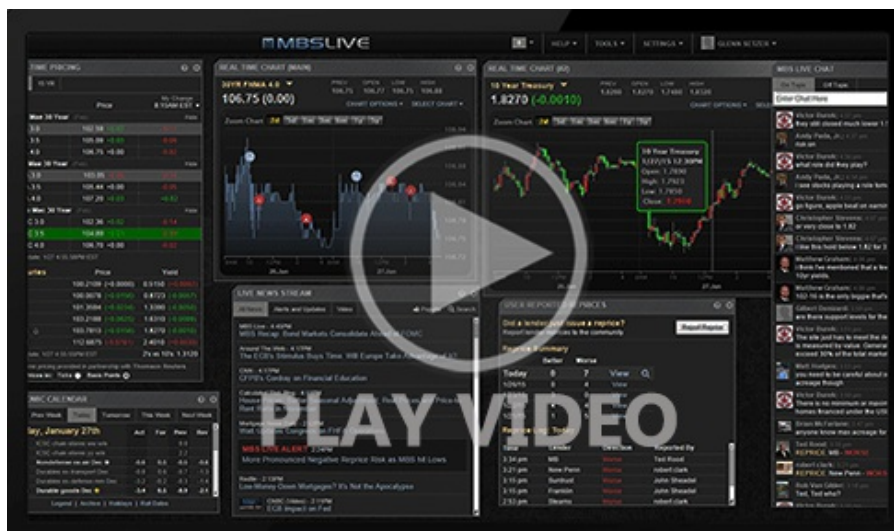


Trying to Shake Off Overnight Weakness After Mixed Bag of Data

MBS Recap Matthew Graham | 4:11 PM

Bonds came into the domestic session at slightly weaker levels after losing ground gradually in the overnight session. They morning's economic data was basically a wash. Durable goods came in hot, but the report has been volatile surrounding fiscal policy implementation. Quarterly PCE was revised up, but that's stale data (Q4, 2024). On the rate-friendly side, Jobless Claims were much higher than forecast, but still not out of line with trend levels from the past few years. MBS gradually improved into the noon hour while Treasuries remained sideways (not a huge difference, but MBS technically outperformed).

Tomorrow's monthly PCE data should be less prone to "yeah buts." That said, keep in mind that some of the positive reaction potential has already been traded after the PPI data 2 weeks ago. In other words, core PCE might need to be lower than expected to see a rate-friendly reaction (as opposed to merely hitting the 0.3% month-over-month forecast).



Watch the Video

Update

8:38 AM Mixed Data; Mixed Reaction

MBS Morning

12:30 PM Trying to Shake Off Overnight Weakness After Mixed Bag of Data

Econ Data / Events

- ○ GDP
 - 2.3 vs 2.3 f'cast
 - PCE Price Index revised up 0.2
- Jobless Claims
 - 242k vs 221k f'cast, 220k prev
- Durable Goods
 - 3.1 vs 2.0 f'cast, -1.8 prev
- Core Durable Goods
 - 0.8 vs 0.2 f'cast, 0.2 prev

Market Movement Recap

- 09:03 AM Slightly weaker before data, and mostly choppy/sideways after that. MBS down roughly an eighth of a point and 10yr up 2.9bps at 4.288
- 02:54 PM Broadly sideways after a modest recovery. MBS down 1 tick (.03) and 10yr up 2.5bps at 4.285
- 04:11 PM MBS down 2 ticks (.06) and 10yr up 1.4bps at 4.272

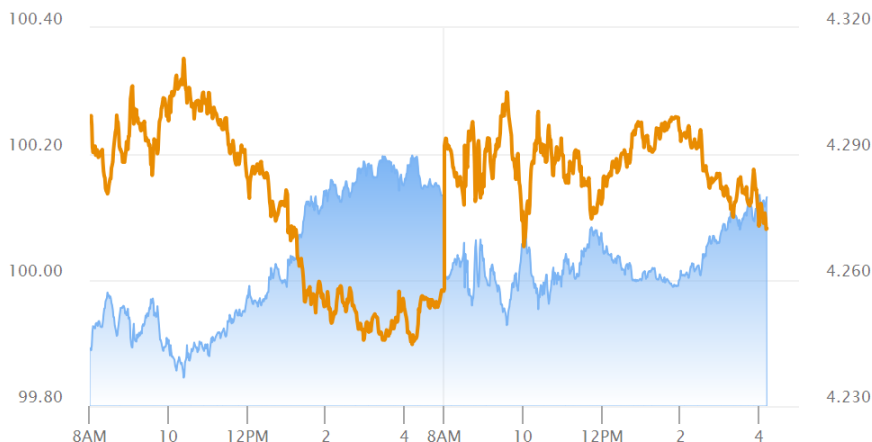
Lock / Float Considerations

- Friday morning brings the much-awaited PCE data, which tends to garner more anticipation than it deserves based on the average market reaction. That said, we have seen a few examples that have caused big swings. In the current case, Friday's PCE was definitely already traded to some extent following the PPI data 2 weeks ago. That raises some concern about asymmetric reactions (i.e. a rate-friendly result may not help as much as an unfriendly result would hurt).

Technicals/Trends in 10yr (why 10yr)

- 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	4.272%	+0.013%
2 YR	4.063%	-0.010%
30 YR	4.548%	+0.036%
5 YR	4.087%	+0.002%

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