

MBS & TREASURY MARKETS

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MBS Recap: Bonds End The Week and The Month at Best Levels

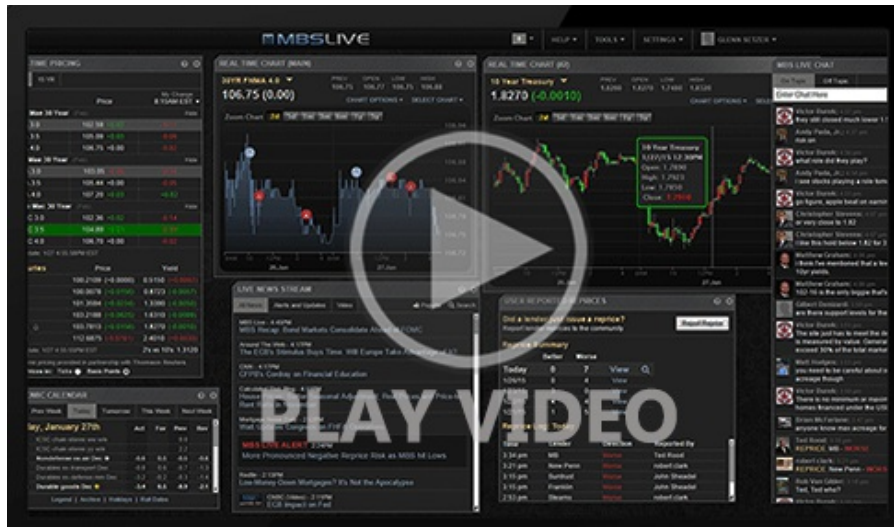


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Bonds End The Week and The Month at Best Levels

MBS Recap | Matthew Graham | 4:16 PM

Both MBS and Treasuries were easily at their best levels of the month as of today's close (whether you want to use the 3pm CME close or the 4pm NYSE close, which can be more of a consideration for bonds on a month-end trading day). The bond strength was all the more notable in light of a fairly swift bounce in the stock market. PCE data in the morning was a relative non-event. If anything, it helped pave the way for the stronger momentum thanks to the unrounded core month-over-month numbers coming in below forecast. From here, we turn our attention to next week's bigger ticket econ data, culminating in the next jobs report on Friday.



Update

8:36 AM PCE Prices Right in Line With Forecasts

MBS Morning

12:05 PM No Major Reaction to PCE Data

Econ Data / Events

- ○ Core PCE Price Index, MM
 - 0.3 vs 0.3 f'cast, 0.2 prev
 - Unrounded, .285
- Core PCE Price Index, YY
 - 2.6 vs 2.6 f'cast, 2.9 prev

Market Movement Recap

- 09:45 AM Modestly stronger after data, but choppy. MBS up 2 ticks (.06) and 10yr down 1.5bps at 4.246
- 12:18 PM Choppy still, and some more improvement. MBS up 3 ticks (.09) and 10yr down 2.1bps at 4.24
- 02:22 PM MBS still up 3 ticks (.09). 10yr now down 3.7bps at 4.223
- 04:06 PM More strength at the 4pm NYSE close. Bonds at best levels with MBS up 5 ticks (.16) and 10yr down 4.9bps at 4.213

Lock / Float Considerations

- PCE inflation data has come and gone with bonds being no worse for the wear. Rates ended the week at multi-month lows and momentum has generally been quite strong for the past 2 weeks. Risk averse clients view this as a risk due to notions like "overbought momentum" or the simple fact that the lowest rates in several months are only lockable on the day you can lock them. Risk tolerant clients are content to see how long this ride lasts, but they'll need to decide how much longer to let it ride. Reason being: even amidst a pervasive rally, bonds will find moments to take a breath. Additionally, any big continuation of the rally would require a fresh supply of negative economic data.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
 - 4.80
 - 4.65
 - 4.57
 - 4.50
- Floor/Resistance
 - 4.19
 - 4.34
 - 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	4.209%	-0.052%
2 YR	3.986%	-0.067%
30 YR	4.492%	-0.039%
5 YR	4.013%	-0.063%

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