

MBS & TREASURY MARKETS

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MBS Recap: Bonds Start Week Off With a Bang

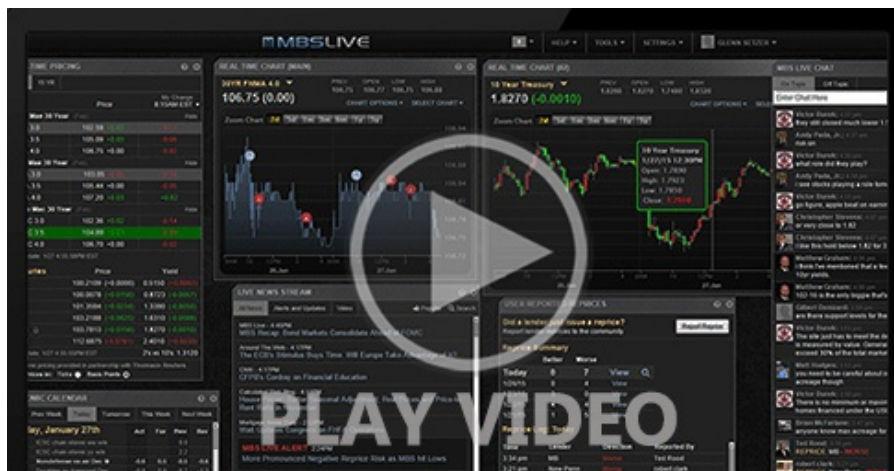


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Bonds Start Week Off With a Bang

MBS Recap | Matthew Graham | 4:03 PM

After a weaker overnight session, bonds bounced back swiftly after this morning's ISM Manufacturing data. The headline was roughly as-expected, but sharply weaker employment and "new orders" outweighed the highest "prices paid" component in more than 2 years. It took less than 15 minutes for moderate losses to flip to moderate gains. Very little happened after that apart from a slow and mostly steady trickle to even stronger levels. It bears repeating that the gains were centered on econ data as opposed to any other news.





Watch the Video

Update

10:16 AM Erasing Overnight Weakness After ISM Data

MBS Morning

12:07 PM ISM Data Makes For a Strong Start

Econ Data / Events

- ○ ISM Manufacturing
 - 50.3 vs 50.5 f'cast, 50.9 prev
- ISM Prices
 - 62.4 vs 56.2 f'cast, 54.9 prev
- ISM Employment
 - 47.6 vs 50.1 f'cast, 50.3 prev
- ISM New Orders
 - 48.6 vs 54.6 f'cast, 55.1 prev

Market Movement Recap

- 10:09 AM Bouncing back to positive territory after ISM data. MBS unchanged and 10yr down 2.1bps at 4.194
- 01:10 PM Stock losses spilling over to help bonds again. 10yr down 4.1bps at 4.174. MBS up 2 ticks (.06).
- 03:22 PM Best levels of the day. MBS up 3 ticks (.09) and 10yr down 5bps at 4.165

Lock / Float Considerations

- 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")
 - o 4.65
 - o 4.57
 - o 4.50
 - o 4.40
 - o 4.34
 - o 4.19

- Floor/Resistance
 - o 4.05

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	4.161%	-0.055%
2 YR	3.958%	-0.041%
30 YR	4.453%	-0.054%
5 YR	3.970%	-0.040%

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