

MBS & TREASURY MARKETS

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MBS Recap: Winning Streak Finally Ends, But it Could Have Been Worse

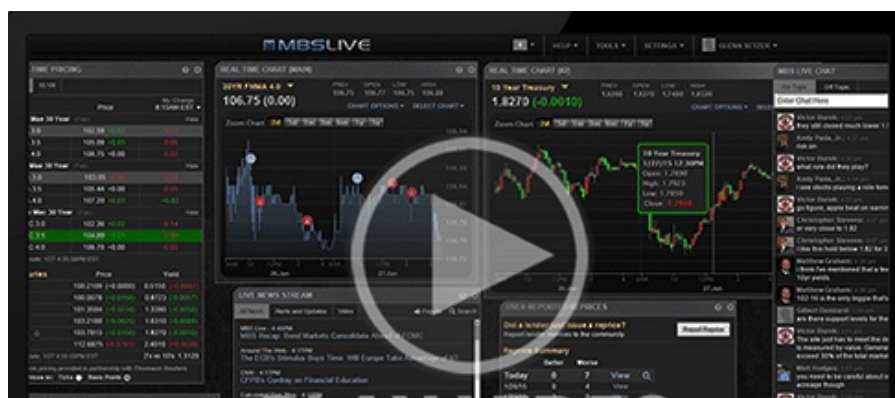


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Winning Streak Finally Ends, But it Could Have Been Worse

MBS Recap | Matthew Graham | 4:18 PM

Take yesterday out of the equation and today's closing levels are better than any other day since early December. That's not a bad way to conclude 9 days in a row of bonds making intraday improvements. In the absence of data, traders took cues from equities and technicals. On the technical note, 10yr yields bounced at 4.11 right at the start of the overnight session and again in the 10am hour. Yields retraced most of yesterday afternoon's rally in concert with a stock market bounce. Days like today become much more likely than not when bonds stretch winning streaks to 8 days or more. This could be a simple attempt to catch a breath, but the jury's out until we see the rest of the week's data and whether or not yields actually care about 4.11%.





Watch the Video

MBS Morning

11:26 AM Bonds Struggling to Hang With Stock Market Swoon

Alert

12:26 PM MBS Down About an Eighth From Highs

Alert

2:15 PM Negative Reprices Becoming More Likely

Market Movement Recap

- 09:59 AM Moderately stronger overnight and holding. MBS up 1 tick (.03) and 10yr down 1.3bps at 4.142
- 12:26 PM weakest levels. 10yr up 2.2bps at 4.177 and MBS now unchanged 5.5 coupons and down almost an eighth in 5.0 coupons.
- 03:18 PM Weakest levels of the day with MBS down 5 ticks (.16) and 10yr up 5.7bps at 4.213

Lock / Float Considerations

- Bonds finally ended their impressive winning streak on Tuesday with a move that leaves MBS and Treasuries at levels that are still better than any other day of the past 2+ months apart from Monday. Any time winning streaks look like this, risks increase exponentially that we'll see a day like today. There is no way to know if that was as far as the broader rally wishes to go. Market sentiment and stocks may continue to have an impact, but so will the big ticket econ data coming up in the 2nd half of the week.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
 - o 4.57
 - o 4.50
 - o 4.40
 - o 4.34

- Floor/Resistance

- 4.05
- 4.12
- 4.19

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	4.224%	+0.069%
2 YR	3.956%	+0.006%
30 YR	4.534%	+0.084%
5 YR	4.011%	+0.044%

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