

MBS & TREASURY MARKETS

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MBS Recap: 2nd Straight Day of Losses. Blame Data or Stocks?

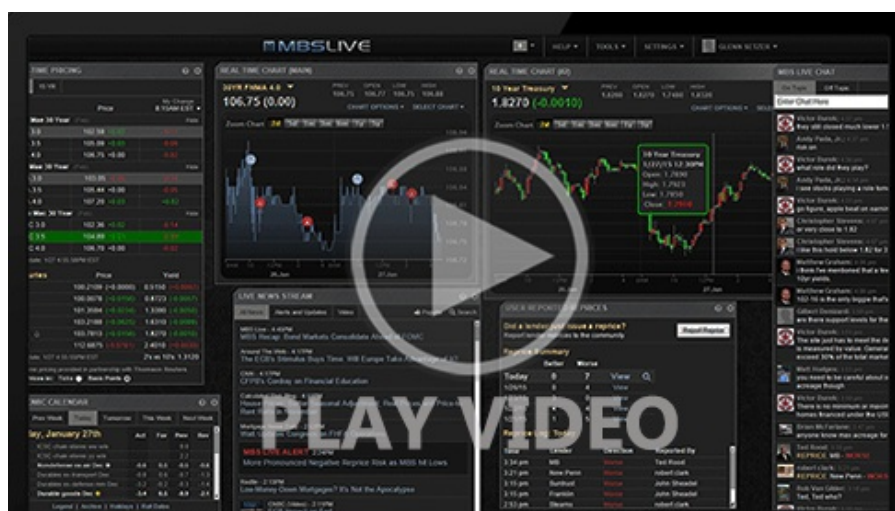


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2nd Straight Day of Losses. Blame Data or Stocks?

MBS Recap | Matthew Graham | 3:45 PM

We already saw the end of the bond market's 9 day winning streak with yesterday's big mid-day reversal. Today makes it extra official with modestly weaker close. That may not have been our destiny. In fact, at 9:59AM ET, it looked like yields were happy to push back toward Tuesday's lows, but things changed after the 10am ISM data. While it's clear that ISM sent yields quickly higher, the rest of the day's trading is a matter of debate or perspective. The key question is whether bonds would have lost as much ground as they did had it not been for a stock market recovery. Probably not, but the additional weakness attributable to stocks/sentiment was fairly small. Bottom line: for now, data still deserves more of the blame.



Update

8:58 AM Modest Gains After ADP Data

Alert

10:04 AM Erasing Some Gains After ISM Data

MBS Morning

12:10 PM Mixed Data Adds Up to Mixed Start For Bonds

Alert

2:11 PM Negative Reprices Becoming More Likely

Econ Data / Events

- ○ ADP Employment
 - 77k vs 140k fcast, 186k prev
- ISM Services
 - 53.5 vs 52.6 fcast, 52.8 prev
 - prices 62.6 vs 60.0
 - employment 53.9 vs 52.3

Market Movement Recap

- 08:51 AM Sideways to slightly weaker overnight, but bouncing back after ADP data. MBS up just over an eighth and 10yr down 4.1bps at 4.203
- 11:32 AM Additional losses after ISM data, but holding ground now. MBS still up 1 tick (.03) and 10yr down 1.3bps at 4.232
- 02:09 PM New lows with MBS down 3 ticks (.09) and 10yr up 3.6bps at 4.28

Lock / Float Considerations

- On occasions where bonds experience a correction after an extended rally, we often see that correction last for 2 days. If we could see nothing else beyond the charts, Wednesday looked like that kind of day. With the benefit of underlying news and data, though, it may be more of a reaction to be cautious. Tariff

With the benefit of underlying news and data, there's a bit more of a reason to be cautious. Fannie developments afford equities a chance to stop the bleeding and ISM Services data suggests not all econ data will be rate-friendly. Either way, volatility risks are increasing here, not only because momentum is shifting, but also due to the bigger potential reaction to Friday's jobs report.

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
 - o 4.05
 - o 4.12
 - o 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	4.277%	+0.032%
2 YR	3.995%	-0.001%
30 YR	4.569%	+0.032%
5 YR	4.069%	+0.022%

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