

MBS & TREASURY MARKETS

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MBS Recap: More Help From Stocks, But More Reluctance From Bonds

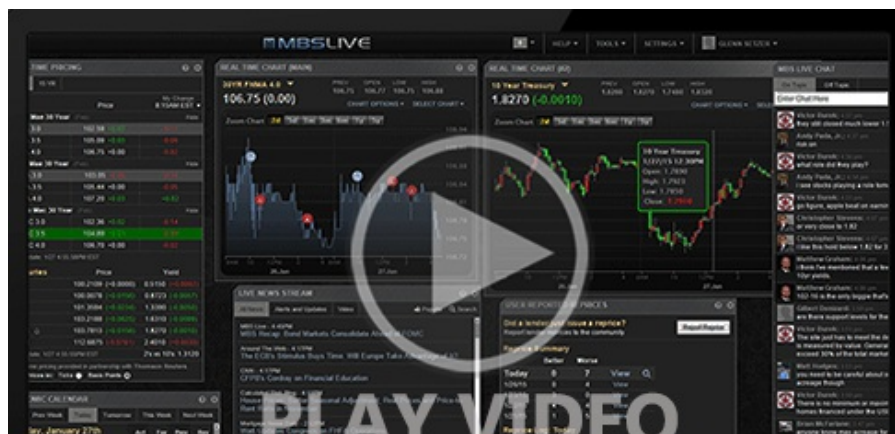


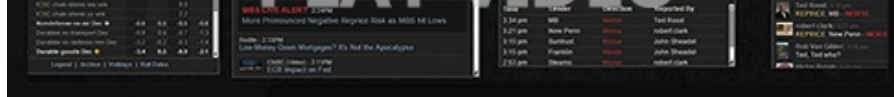
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More Help From Stocks, But More Reluctance From Bonds

MBS Recap | Matthew Graham | 3:42 PM

Up until just after 3pm ET, the stock market was on pace for its worst day of the recent selling spree in terms of day-over-day losses, but a rebound looks to be underway in the final hour of the NYSE session. The swan dive gave us another opportunity to observe the stock/bond dynamic whereby the correlation starts to increase when stocks are making bigger moves. In general though, it's taken more and more convincing for bonds to even begin to move back toward recent lows. Case in point, 10yr yields stayed well clear of last week's better levels and they weren't even willing to break the AM lows despite the 3pm swan dive in stocks. A combination of upcoming Treasury auctions and important econ data (Wednesday's CPI) is a good enough justification, but even last week, we were already talking about the bond rally being a bit overbought from a momentum standpoint.





Watch the Video

MBS Morning

10:27 AM Bonds Shaking Off Last Week's Weakness as R Word Returns

Market Movement Recap

- 10:01 AM Stronger overnight, mostly in European hours. MBS up 6 ticks (.19) and 10yr down 7.4bps at 4.224
- 01:14 PM Perfectly unchanged from previous update.
- 03:13 PM Additional gains as stocks swoon. MBS up nearly a quarter point. 10yr down nearly 9bps at 4.211
- 03:40 PM Stocks bounce back now and bond yields following. 10yr down 7.7bps at 4.22. MBS up 7 ticks (.22).

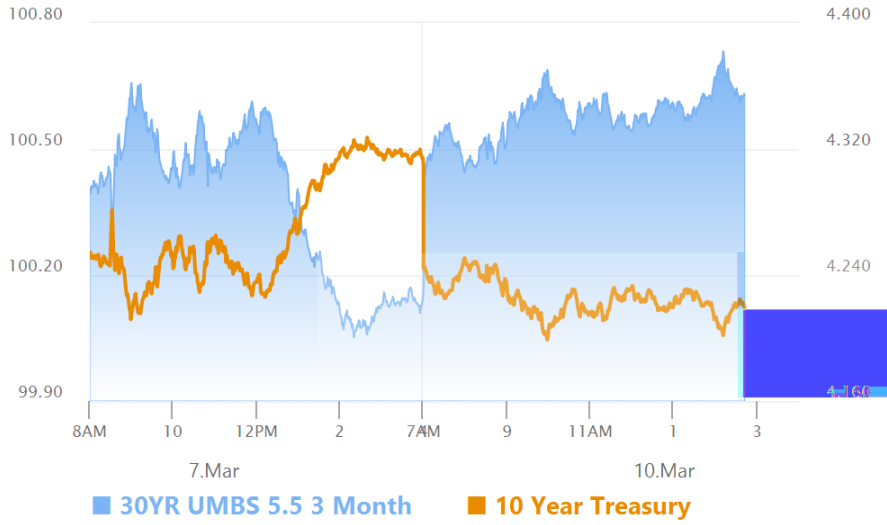
Lock / Float Considerations

- Even though bonds saw solid gains on Monday, the underlying message was largely the same as last week: rally momentum is overbought and it will take an increasing amount of "convincing" if we're to see additional meaningful improvement. While several factors can contribute to "convincing," none of them can have too much of an impact until and unless we see Wednesday's CPI come in at or below forecast.

Technical/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 4.10

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	4.218%	-0.079%
2 YR	3.897%	-0.097%
30 YR	4.546%	-0.052%
5 YR	3.979%	-0.101%

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