

# MBS & TREASURY MARKETS

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## MBS Recap: Uneventful Friday, Even if Slightly Weaker



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## Uneventful Friday, Even if Slightly Weaker

MBS Recap | Matthew Graham | 6:21 PM

Friday's trading session was the most uneventful of the week. It began with moderate losses in the overnight session in concert with stock market gains. Some traders attributed this to improved odds of avoiding a government shutdown by tonight's deadline. The only scheduled economic data was the Consumer Sentiment report which has fallen by the wayside to some extent as the results are increasingly discounted as being clouded by political affiliations of respondents. Nonetheless, the uptick in inflation expectations was notable and worth a bit of extra weakness in bonds at the time. Even so, bonds remains well within the range set by yesterday's trading. The result is an "inside day" in market jargon, which one could either read as "indecisive" or "boring." We'd lean toward the latter.





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## MBS Morning

9:29 AM Markets Trading Shutdown Risks? We'll Find Out Soon

### Econ Data / Events

- ○ Consumer Sentiment
  - 57.9 vs 63.1 f'cast, 64.7 prev
- 1yr inflation expectations
  - up 0.6%
- 5yr inflation expectations
  - up 0.6%

### Market Movement Recap

- 09:30 AM Moderately weaker overnight in concert with stock market gains. MBS down 3 ticks (.09) and 10yr up 3.4bps at 4.303
- 10:03 AM Some weakness following uptick in consumer inflation expectations. MBS down 5 ticks (.16) and 10yr up 4.8bps at 4.317
- 12:27 PM Calm and sideways. 10yr up 2.6bps at 4.296. MBS down 2 ticks (.06)
- 03:20 PM Losing some ground in PM hours. MBS down 5 ticks (.16) and 10yr up 4.3bps at 4.313
- 04:49 PM Just a hair weaker. MBS down 6 ticks (.19) and 10yr up 4.8bps and 4.318.

### Lock / Float Considerations

- Bonds/rates have generally been in consolidation mode after hitting last week's low yields. That's been

mostly a sideways affair, but a breakout in either direction is possible. With this week's important data out of the way, the biggest risks/opportunities are on hold until next week. Government shutdown headlines are a wild card. If they resolve in a way that benefits stocks, that could cause some selling in bonds.

## 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	4.313%	+0.043%
2 YR	4.017%	+0.046%
30 YR	4.620%	+0.037%

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