

# MBS & TREASURY MARKETS

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## MBS Recap: Mixed Reaction to Retail Sales Makes For a Boring Monday



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## Mixed Reaction to Retail Sales Makes For a Boring Monday

**MBS Recap** Matthew Graham | 4:12 PM

Despite coming in much weaker than expected, Retail Sales (the day's only big-ticket market mover) didn't provide much help for bonds. The catch was that the key internal component (the control group, aka retail sales excluding autos/gas/building materials) was stronger than expected. Bonds lost ground on the news, but began to rally about 30 minutes later. The net effect was essentially a restoration of Friday's average mid-day trading levels, thus making for a ho-hum Monday.





Watch the Video

## Update

8:35 AM Losing Some Ground as Retail Sale Control Group Comes in Higher

## MBS Morning

11:57 AM Bonds Bouncing Back After Early Stumble

## Econ Data / Events

- ○ Retail Sales
  - 0.2 vs 0.6 f'cast, -0.9 prev
- Retail Sales "control group"
  - 1.0 vs 0.3 f'cast
- NY Fed Manufacturing
  - -20 vs -0.75 f'cast, 5.7 prev
- Business Inventories
  - 0.3 vs 0.3 f'cast, -0.2 prev
- NAHB Builder Confidence
  - 39 vs 42 f'cast, 42 prev

## Market Movement Recap

- 08:35 AM Weaker after retail sales, but a hair stronger on the day. MBS up 1 tick (.03) and 10yr down 0.2bps at 4.311.
- 12:28 PM Nice recovery for reasons unknown (some big trades at 9:20am, but that's about it). MBS up 5 ticks (.16) and 10yr down 4.8bps at 4.265
- 03:31 PM Losing some ground in the PM hours, but still slightly stronger. MBS up 2 ticks (.06) and 10yr down 0.6bps at 4.307

## Lock / Float Considerations

- Bonds/rates have generally been in consolidation mode after hitting the best levels in early March. That's been mostly a sideways affair, but a breakout in either direction is possible. The biggest risk/opportunity on the near term horizon is Wednesday afternoon's Fed announcement (not due to rate cuts, which are a 0% chance, but instead due to the dot plot). Stock/bond correlation has been hit and miss.

## 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	4.296%	0.017%
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10 YR	4.290%	-0.017%
2 YR	4.047%	+0.026%
30 YR	4.592%	-0.028%
5 YR	4.089%	-0.001%

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