

## MBS Recap: Low Volatility Session Ahead of Fed Day



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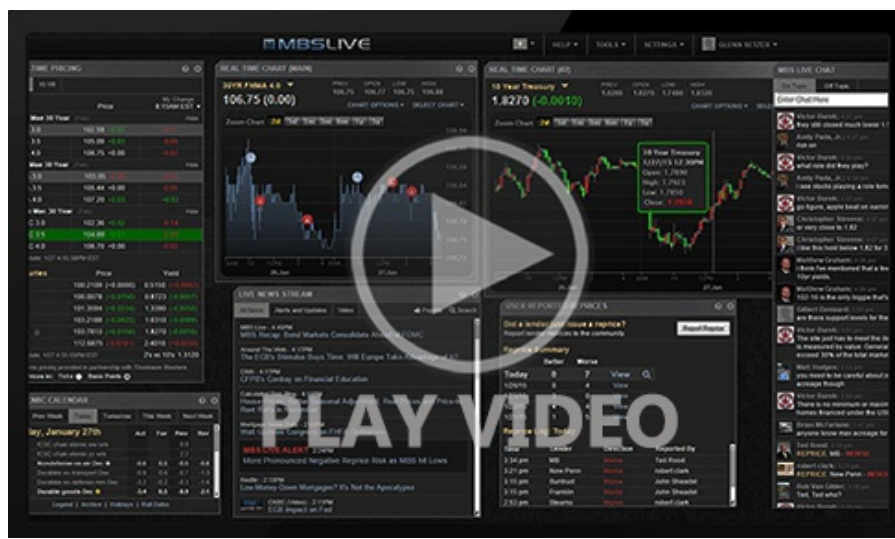
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## Low Volatility Session Ahead of Fed Day

**MBS Recap** Matthew Graham | 3:36 PM

4 out of the year's 8 Fed announcements include an updated dot plot (i.e. a chart of each Fed member's projection for the Fed Funds Rate at the end of the next few years). Dots have come to be viewed as one of the biggest potential flashpoints for rate volatility, but their actual track record is hit and miss. Over the past few years, they've done more to simply add context or push-back to the tone conveyed in the statement or press conference, but have stopped short of re-writing the momentum narrative. This week's example should fit right in. We know the Fed won't hike and we know the dots won't be making the sort of huge leaps seen on several recent occasions. As for today, it was pleasant, but boring, with a slightly weaker start giving way to mild rally into the close--just another day inside the multi-week consolidation.



Watch the Video

## MBS Morning

11:37 AM Germany's Debt Increase and Treasury Consolidation

### Econ Data / Events

- ○ Building Permits
  - 1.456M vs 1.450M f'cast
- Housing Starts
  - 1.501M vs 1.380M f'cast
- Industrial Production
  - 0.7 vs 0.2 f'cast

### Market Movement Recap

- 10:20 AM Sideways to slightly weaker overnight but bouncing back now. MBS and 10yr both exactly unchanged.
- 01:34 PM rallying all morning with additional gains after 20yr auction. MBS up 3 ticks (.09). 10yr down 2bps at 4.281
- 03:15 PM Off the best levels now, but still stronger on the day. MBS up 2 ticks (.06) and 10yr down 2.6bps at 4.276 (about 1bp up from lows).

## 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	4.284%	-0.018%
2 YR	4.042%	-0.019%
30 YR	4.583%	-0.007%
5 YR	4.075%	-0.011%

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