

MBS & TREASURY MARKETS

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MBS Recap: Overnight Weakness Gives Way to Modest Gains



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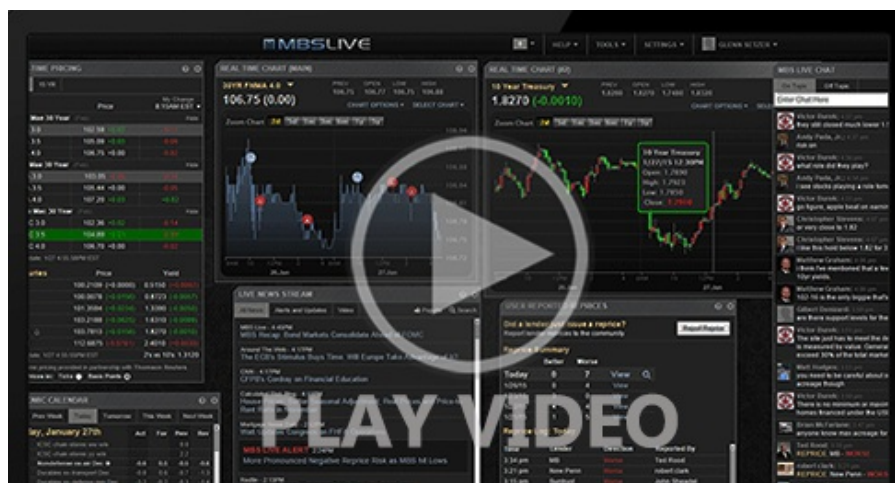
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Overnight Weakness Gives Way to Modest Gains

MBS Recap | Matthew Graham | 4:25 PM

In absolute terms, it was a moderately active day for bonds as 10yr yields moved inside a respectable 7bp range (4.37 to 4.30). In day-over-day terms, we're left with merely modest gains, but no one's complaining. Early trading raised concerns about a technical break above the 4.34 ceiling. As we discussed yesterday, such breakouts can just as often serve as cues for buyers to get back in the pool, and that appears to have been the case today. Stocks had one of their calmest sessions in recent memory and bonds didn't exhibit any of the typical correlation. U.S. bond traders simply showed up in line to buy some bonds, and that was that.



MBS Morning

10:25 AM Bonds Filling The Gap or Just Tired of Selling?

Econ Data / Events

- ○ Consumer Confidence
 - 92.9 vs 94.0 f'cast, 98.3 prev
 - lowest reading since July 2022
 - expectations index 65.2 vs 72.9 prev

Market Movement Recap

- 09:42 AM Weaker overnight, but stronger after 8:20am CME Open. 10yr down half a bp at 4.337 and MBS up 1 tick (.03)
- 12:51 PM Bond rally continues. MBS up an eighth and 10yr down 4.2bps at 4.3
- 03:49 PM Off the best levels, but still stronger. MBS up 2 ticks (.06) and 10yr down 3bps at 4.312

Lock / Float Considerations

- Although the prevailing sideways range in bonds remains intact, the new week begins with the ceiling potentially being challenged. Such challenges are selling cues for some traders, but others view them as prerequisites for renewed buying demand. We should also consider the possibility of ongoing spillover from the stock market, even though rates' biggest cues will come from data.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
 - 4.57
 - 4.50
 - 4.40
 - 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 | 4.314% | -0.028% |
| 2 YR | 4.013% | -0.021% |
| 30 YR | 4.660% | -0.004% |
| 5 YR | 4.067% | -0.027% |

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