

MBS & TREASURY MARKETS

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MBS Recap: Uneventful Drift Ahead of Friday's Monthly PCE Data



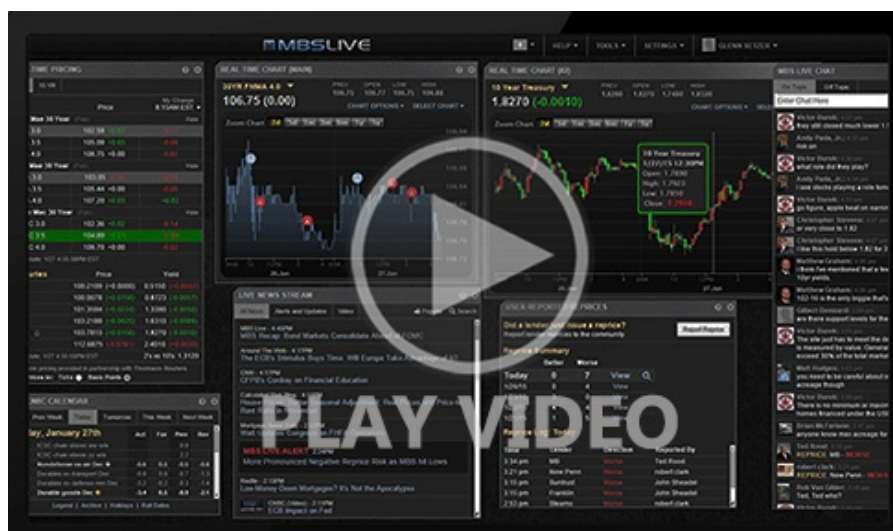
Nick Hunter
President, Owner, River
City Mortgage, LLC
www.rchomeloans.com



Uneventful Drift Ahead of Friday's Monthly PCE Data

MBS Recap | Matthew Graham | 4:17 PM

For the 3rd day in a row, the bond market logged a rather uneventful trading session ending with minimal change versus the previous trading day. All this despite the presence of several economic reports and Treasury auctions. If there was any reaction to this morning's data, it was slightly bond-friendly, but not enough to say it was anything other than random. The 7yr auction was a non-event, and stocks failed to offer any of the recent sort of spillover that has frequently made its way into the bond market. From here, the week's last big chance/risk of volatility is Friday morning's monthly PCE data.



MBS Morning

8:58 AM This Isn't The PCE We're Looking For

Econ Data / Events

- ○ Jobless Claims
 - 224k vs 225k f'cast, 225k prev
- Continued Claims
 - 1856k vs 1890k f'cast, 1881k prev
- GDP Revision (Q4)
 - 2.4 vs 2.3 prev

Market Movement Recap

- 09:06 AM Weaker overnight but improving after data. MBS up 1 tick (.03) and 10yr up half a bp at 4.358.
- 01:04 PM No major reaction to 7yr auction. MBS down 1 tick (.03) and 10yr up 1.6bps at 4.368
- 03:21 PM Sideways still. MBS down 1 tick (0.03) and 10yr up 2.1bps at 4.374

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

- 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	4.362%	+0.009%
2 YR	3.992%	-0.031%
30 YR	4.720%	+0.019%
5 YR	4.092%	-0.005%

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