MBS & TREASURY MARKETS

Daily Coverage. Industry Leading Perspective.

MBS Recap: Wild Round Trip Leaves MBS Weaker Despite Huge Initial Rally

Caleb LeGrand

Branch Manager, CL Team – a Division of Luminate Bank

www.clteam.us P: (864) 569-0741 clegrand@clteam.us

400 Executive Center Dr. Greenville SC 29615 NMLS #259691





Wild Round Trip Leaves MBS Weaker Despite Huge Initial Rally

MBS Recap Matthew Graham | 5:18 PM

MBS ended Friday right about where they ended Thursday, and if that's all you got to know about the future on Thursday afternoon, it would have been good news. But as it stands, it could be a bit frustrating considering it means about 3/8ths of a point of weakness from AM levels. Moreover, there was no glaringly obvious motivation for the reversal, nor was there a similar reversal in equities. That leaves us to consider factors like traders moving to sidelines heading into the weekend and mid day headlines regarding Vietnam lowering tariffs on the U.S. (a proof of concept for de-escalation of trade war themes). MBS underperformance can be seen as a combination of Treasuries being the preferred safe haven for flights to safety, and also the only beneficiary of the Fed's QT tapering plans. Today's video dives deeper into these considerations, but the takeaway is that the week was a win overall, and that anything can change quickly when the market is taking cues from tariff-driven economic speculation.

a Sela anna an Sana								
			MMBSLIVE	Dis Distance in the second sec	* HIP+ 100.5	• NUTINGS •	GLOW SCHOOL *	
THE PROPERTY.		0.0	REAL TIME CHART MANS	0.0 HALTH	COUNT (10)			IS LIVE OWN
1.14	Pro-	An Owner a	106.75 (0.00) 106.75 106.7		(-0.0010)			In Tax Of Tax
		100	Print Coase (IM THE THE THE THE THE TY IN	I James Press Ch				Eicher Daroh, im eine Reg still General Hach lower Andy Parks, dog of the
AD DIAM (***	N75-630		1		Se st	Anna Teamy Automatics Const. 1, 7031	~	Parties Density
40 1	20-100		Winter Wil	1 - C	1 M	High 17571 Low 17900 Once 17900	11	Andy Parls, Act Control Case elects playing a rule to Control Darrie, Control Control Darrie, Control
						6.5		Charlangeber Einressen, e.m.
	N.79-4030					100		Christopher Versen +
	or Pea	-						Bathers Graham
100.0		68700 (CONT)			and and a		-	10y parts. Mattere Graham 10 hi a be arty legge b
		14210 (1210)	And a second second	Det a	tender and tours a reprint			Collect Developed Line on an Reve Report levels for 1
		24010 (10010)	WEB Recap Devid Markets Consolition AD Avoing The Web & 1274		and the second	*		The alle just has to need the is measured to value. Gene
the NOT & SCHWART		24 m 104 10100	THE CE'S Devide Tays Term THE Europe	Taxa and a second s	Salar Bara			encoded 10% of the black mar

© MBS Live, LLC. All rights reserved. This newsletter is a service of MBS Live.



Watch the Video

Update

8:38 AM NFP Much Stronger, But Unemployment Up; No Immediate Reaction

Alert

11:14 AM Weakest Levels After Vietnam Trade Headlines

MBS Morning

11:37 AM Huge Overnight Gains on Trade War Escalation; Jobs Report an Afterthought

Alert					
1:46 PM	Just	a Bit More Weakness			

Econ Data / Events

- • Jobless Claims
 - 219k vs 225k f'cast, 225k prev
 - Continued Claims
 - 1.903m vs 1.860m f'cast, 1.847m prev
 - ISM Services
 - 50.8 vs 53.0 f'cast, 53.5 prev
 - ISM Employment
 - 46.2 vs 53.9 prev
 - ISM Prices
 - 60.9 vs 62.6 prev

Market Movement Recap

- 08:26 AM Sharply stronger overnight. MBS up 3/8ths and 10yr down 13.5bps at 3.895
- 09:10 AM Losing some more ground now. MBS up only a quarter point and 10yr down 9.9bps at 3.93 (up from lows of 3.87)

- 01:46 PM weakest levels for Treasuries with 10s down only 5.2bps at 3.977. MBS at the weakest liquid levels of the day, still up roughly an eighth of a point, but down a quarter from highs.
- 04:40 PM Gains completely erased. MBS down 1 tick (0.03). 10yr still slightly stronger, at 3.996, but well off the lows.

Lock / Float Considerations

Bonds have been benefiting in a major way from hefty stock selling. There's a shelf life on that motivation as well as a risk of a reversal that can happen in a much more volatile way. In other words, it's not as if the rally is being driven by a confirmed shift in economic data. Instead, it's driven by an expectation about the impact of an idea that hasn't even been truly implemented, and one that could change on a whim. Floaters should proceed with caution.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
 - ° **4.40**
 - **4.34**
 - **4.19**
 - · 4.12
 - **4.05**
- Floor/Resistance
 - o **3.83**
 - o **3.92**
 - **3.99**



MBS & Treasury Markets

© MBS Live, LLC. All rights reserved. This newsletter is a service of MBS Live.

MBS

30YR UMBS 5.5 30YR UMBS 6.0 30YR GNMA 5.5 15YR UMBS-15 5.0

US Treasuries					
4.005%	-0.024%				
3.653%	-0.039%				
4.421%	-0.055%				
3.711%	-0.025%				
	4.005% 3.653% 4.421%				

Open Dashboard

Share This