

MBS & TREASURY MARKETS

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MBS Recap: Rough Week For Bonds. No Help From Friendly Data



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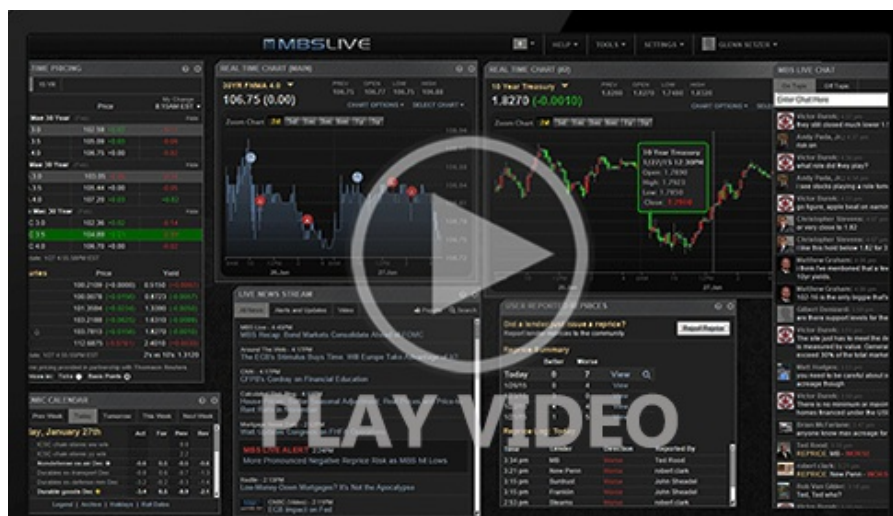
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Rough Week For Bonds. No Help From Friendly Data

MBS Recap | Matthew Graham | 4:59 PM

Bonds managed to recover modestly after the initial yield spike in the morning hours, but nonetheless earned the honor of seeing the biggest week over week jump in 10yr yields since 1981 (note: some outlets are saying 2001 or 1987, but we're not seeing that, and it doesn't really matter. It was a rough week, is the point). Looked at as a 2 week time frame, and it was on par with many other recent examples of moderately brisk selling. That leaves the upcoming week and a half in a great position to let us know how freaked out we should be.



Update

8:38 AM Huge Drop in PPI; Don't Expect Fireworks

Alert

9:16 AM MBS Already Down a Quarter Point

MBS Morning

12:38 PM Big (Bad) Things Are Happening in Bonds

Econ Data / Events

- ○ Core MM PPI
 - -0.1 vs +0.3 f'cast, 0.1 prev
- Core YY PPI
 - 3.3 vs 3.6 f'cast, 3.4 prev
- Consumer Sentiment
 - 50.8 vs 54.5 f'cast
- 1yr inflation expectations
 - 6.7 vs 5.0 previously
- 5yr inflation expectations
 - 4.4 vs 4.1 previously

Market Movement Recap

09:34 AM Losing ground despite softer PPI. MBS down more than a quarter point and 10yr up 6.4bps at 4.496

12:51 PM Nice reversal off weaker levels. MBS now down only an eighth and 10yr up only 2.2bps at 4.45

02:35 PM Fizzling sideways now. MBS down 7 ticks (.22) and 10yr up 6.7bps at 4.499

Lock / Float Considerations

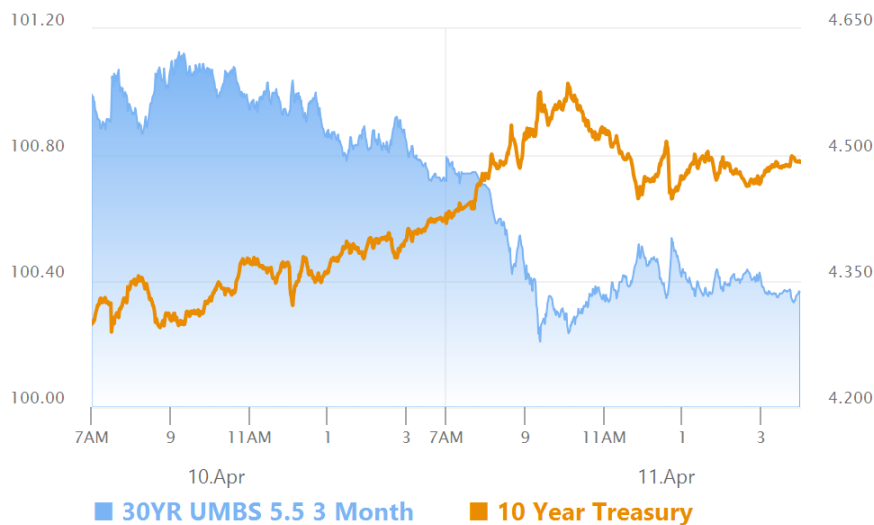
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- The current rate environment is one in which it makes absolutely no sense to assume that what you see today will be available tomorrow. It's not the worst-ever example of such a dynamic, and this doesn't mean we're immune from a friendly bounce, but it does mean that the weakness we've seen this week does not entitle bonds to a bounce simply for technical reasons. Data is in the back seat as well, so motivations are especially hard to predict and prepare for.

Technicals/Trends in 10yr (why 10yr)

- **Ceiling/Support** (can be used as "lock triggers")
 - o 4.64
 - o 4.48
- **Floor/Resistance**
 - o 3.99
 - o 4.05
 - o 4.12
 - o 4.19
 - o 4.34
 - o 4.40

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	4.491%	+0.058%
2 YR	3.961%	+0.087%

30 YR

4.868%

-0.022%

5 YR

4.160%

+0.086%

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