

MBS & TREASURY MARKETS

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MBS Recap: Surprisingly Big Sell Off Relative to The Inspiration



Patrick Smith

Executive / Management /
Banker, Integrated Funding

P: (919) 847-2766

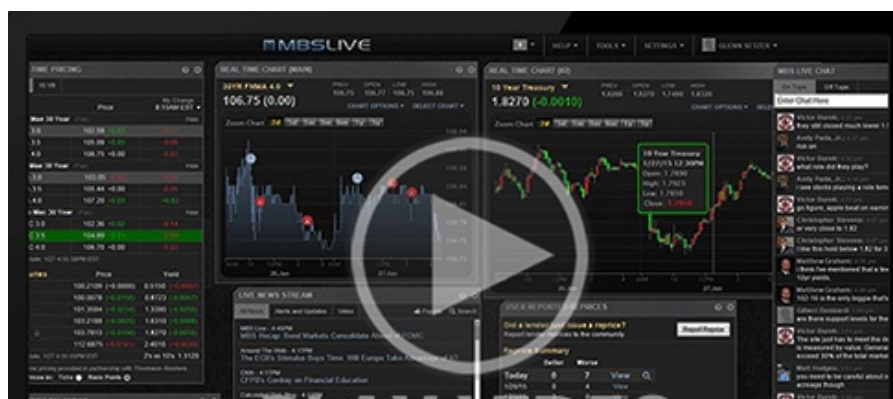
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67369

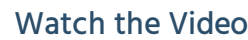


Surprisingly Big Sell Off Relative to The Inspiration

MBS Recap | Matthew Graham | 4:51 PM

Bonds ended up selling off somewhat sharply today with the bulk of the blame apparently reserved for the UK/US trade deal. In fact, the pace of the selling wasn't something we would have predicted when the details emerged this morning. This raises questions about what other motivations could be in play. Certainly, the "precedent thesis" is relevant (i.e. what does today's deal imply about how other trade deals may look?). The simplest way to approach it would be to conclude that tariffs will go up enough to increase inflation, but not so much as to hinder growth--both bad for bonds and for the Fed's rate cut prospects.





10:37 AM MBS Down to New Lows

11:00 AM Slow Start, Two-Way Trading After Data

11:58 AM [More New Lows](#)

1:58 PM Negative Reprices Becoming Likely

4:23 PM

- ○ Jobless Claims
 - 228k vs 230k f'cast, 241k prev
- Unit Labor Costs
 - 5.7 vs 5.1 f'cast, 2.2 prev

09:16 AM	Slightly stronger after AM data, but still weaker on the day. MBS down 1 tick (.03) and 10yr down 1.3bps at 4.283
10:40 AM	weakest levels of the AM. MBS down 6 ticks (.19) and 10yr up 4.6bps at 4.316
02:46 PM	sharply weaker after auction with MBS down 3/8ths and 10yr up 10bps at 4.37

18/11/2019 14:00:00

- While the average mortgage lender isn't any worse off than they were earlier this week, the pace of Thursday's movement reintroduces the volatility risk surrounding trade-related headlines. From an econ data standpoint, Tuesday's CPI remains the focus, but random volatility risk is now substantially higher with US/China talks taking place over the weekend.

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	4.380%	+0.110%
2 YR	3.878%	+0.099%
30 YR	4.833%	+0.056%

5 YR

3.988%

+0.122%

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