

MBS Recap: (RESEND, Updated Video) Another "Just Because" Sell Off



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Another "Just Because" Sell Off

MBS Recap Matthew Graham | 5:07 PM

NOTE: The initial recap has a video link that is non-functional. The only change here is to today's video link. Access it below, or right here: <https://youtu.be/kl9fl2s4cCQ>

This is getting old... and unfortunately, more prevalent. The bond market has been offering up more and more examples of reasonably brisk changes in yields without any obvious catalysts. This forces market watchers to concoct narratives to fit the price action (i.e. to say things that wouldn't be said if the mystery move was a rally). In other words, guesses and generalizations are the name of the game. What we do know is that a broad rotation out of bonds and into stocks is underway, even if stocks weren't a good example of that today. We know there were some headlines regarding potential Korea/Japan trade deals in the works. And we know the bond market isn't thrilled with the potential Treasury issuance implications associated with congressional budget headlines. All that having been said, the reality is probably significantly more complicated and boring than this small collection of usual suspects.



Watch the Video

MBS Morning

11:13 AM Where is The Next Move Coming From?

Alert

11:22 AM Down More Than an Eighth

Alert

1:01 PM Negative Reprice Risk Increasing

Alert

3:11 PM One More Alert For The Day

4:40 PM

Market Movement Recap

- 10:06 AM Modestly weaker overnight and a bit weaker so far. MBS down almost an eighth and 10yr up 2bps at 4.49
- 12:29 PM More weakness. MBS down just over a quarter point and 10yr up 5bps at 4.519
- 02:26 PM Flat at weakest levels. MBS down 9 ticks (.28) and 10yr up 5.3bps at 4.522
- 03:11 PM Weaker at the 3pm CME close. MBS down 11 ticks (.34) and 10yr up 6.5bps at 4.534

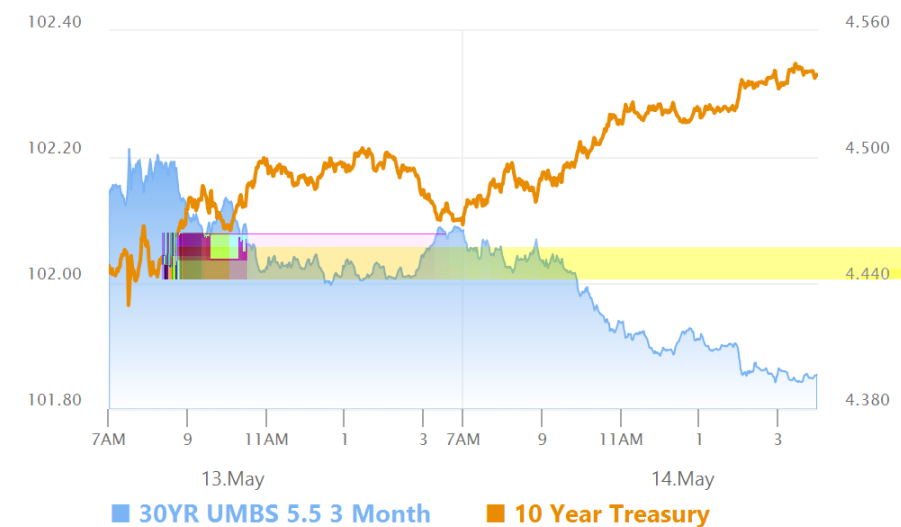
Lock / Float Considerations

- Bonds/rates find themselves in the unpleasant position of not knowing where their next big impetus for improvement will come from. While it's true that rates can fall despite an obvious catalyst, this is nonetheless not a float-friendly environment. The only foreseeable exceptions would be for seriously weak economic data and another big dip in stocks.

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	4.534%	+0.065%
2 YR	4.053%	+0.047%

30 YR
5 YR

4.973%
4.163%

+0.067%
+0.066%

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