

MBS & TREASURY MARKETS

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MBS Recap: Today's Gains Help Us Understand Yesterday's Losses



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Today's Gains Help Us Understand Yesterday's Losses

MBS Recap | Matthew Graham | 4:19 PM

Wednesday's weakness was severely lacking in the scapegoat department. In other words, there were not big, obvious justifications for the spike in bond yields. Today's rally had a suggestion: perhaps the market was nervous about a potential update to the inflation framework in today's Powell speech. After all, it was the previous inflation framework update in 2020 (which basically concluded that rates could stay "lower for longer," even if inflation was elevated) that was responsible for a lot of drama over the past 3 years. Although the 8:30am economic data helped a bit, most of today's gains followed the 8:40am Powell speech. The absence of stock losses makes the Powell explanation all the more plausible (i.e. if bonds were rallying on weak data, we'd expect to see stocks lose some ground, and they didn't).



Watch the Video

Update

8:41 AM Minimal Response to Big Data Glut

MBS Morning

9:58 AM A "No Whammies" Rally For Bonds After Data and Powell

3:55 PM

Econ Data / Events

- ○ Retail Sales
 - 0.1 vs 0.0 f'cast
- Retail Sales Control Group
 - -0.2 vs 0.3 f'cast, 0.5 prev
- Core PPI Monthly
 - -0.4 vs 0.3 f'cast, 0.4 prev
- Core PPI Annual
 - 3.1 vs 3.1 f'cast, 4.0 prev
 - big revision from 3.3 last month
- Jobless Claims
 - 229k vs 229k
- Philly Fed
 - -4 vs -11 f'cast, -26.4 prev

Market Movement Recap

- 09:28 AM Modestly stronger overnight and catching a "no whammies" bid early. MBS up 9 ticks (.28) and 10yr yield down 6 bps at 4.475
- 12:10 PM Best levels of the day with MBS up nearly half a point and 10yr down 8.5bps at 4.45
- 02:59 PM Still near best levels. MBS up 3/8ths and 10yr down 8bps at 4.456

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 | 4.437% | -0.097% |
| 2 YR | 3.958% | -0.091% |
| 30 YR | 4.900% | -0.073% |
| 5 YR | 4.054% | -0.108% |

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