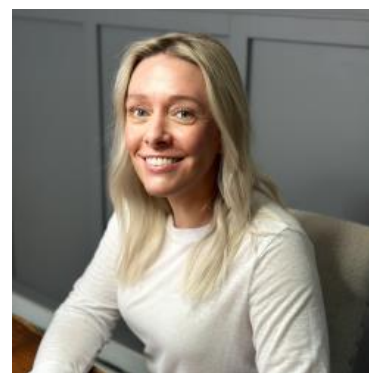


MBS & TREASURY MARKETS

Daily Coverage. Industry Leading Perspective.

MBS Recap: Ultimately Sort of Flat if You Use Your Imagination



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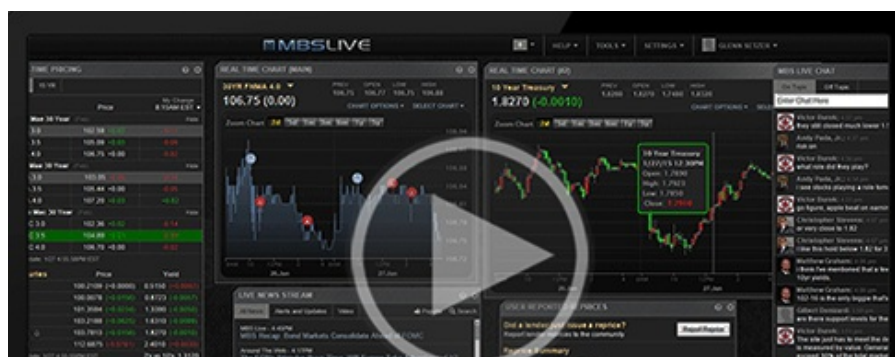
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FDIC



Ultimately Sort of Flat if You Use Your Imagination

MBS Recap Matthew Graham | 5:00 PM

Here's a quick and easy method for imagining that bonds were flat today. Step one, go back to yesterday and use 3pm as a closing time (not a crazy request considering that's the traditional end-of-day marking time for Treasuries). Then do the same for today. The result is that 10yr yields are up about half a bp. Feel free to round that down to 0bps, and voila! Flat day. That assessment actually fits better with the calendar and the general vibe. AM volatility came and went surrounding budget headlines and bonds are once again flirting with 4.5% 10yr yields on a holiday-shortened, mostly data-free week, waiting for the next shoe to drop.





[Watch the Video](#)

MBS Morning

10:11 AM Budget Battle Hitting Bonds Amid Empty Calendar

4:43 PM

Market Movement Recap

- 10:47 AM Modestly weaker overnight with additional selling in the first 2 hours. MBS down 5 ticks (.16) and 10yr up 4.2bps at 4.492
- 01:53 PM Decent recovery with MBS down only 3 ticks (.09) and 10yr up 2.7bps at 4.478
- 04:47 PM Heading out in moderately weaker territory, but in line with y'day's mid day levels. MBS down 6 ticks (.16) and 10yr up 3.3bs at 4.483

Lock / Float Considerations

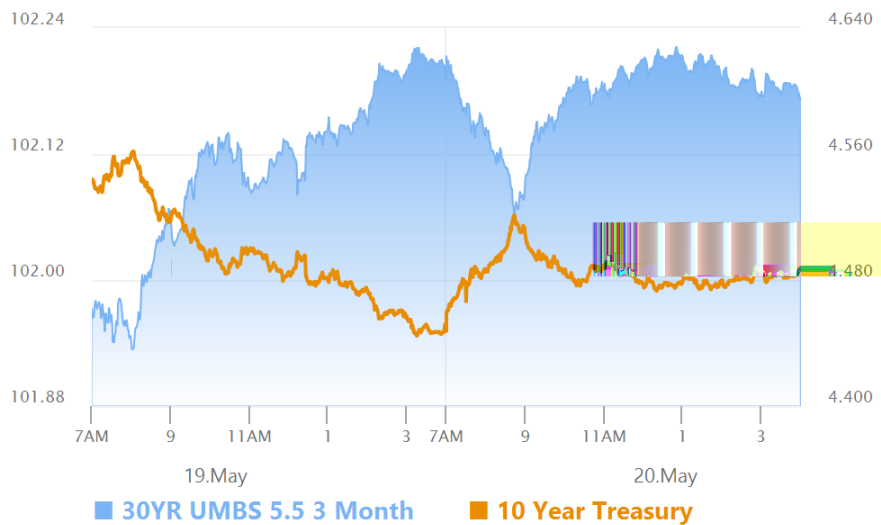
- Bonds/rates find themselves in the unpleasant position of not knowing where their next big impetus for improvement will come from. While it's true that rates can fall despite an obvious catalyst, this is nonetheless not a float-friendly environment. The only foreseeable exceptions would be for seriously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

4.34
○ 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	4.487%	+0.037%
2 YR	3.968%	-0.001%
30 YR	4.972%	+0.069%
5 YR	4.067%	+0.006%

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