

MBS & TREASURY MARKETS

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MBS Recap: No Drama Today. How About Tomorrow?



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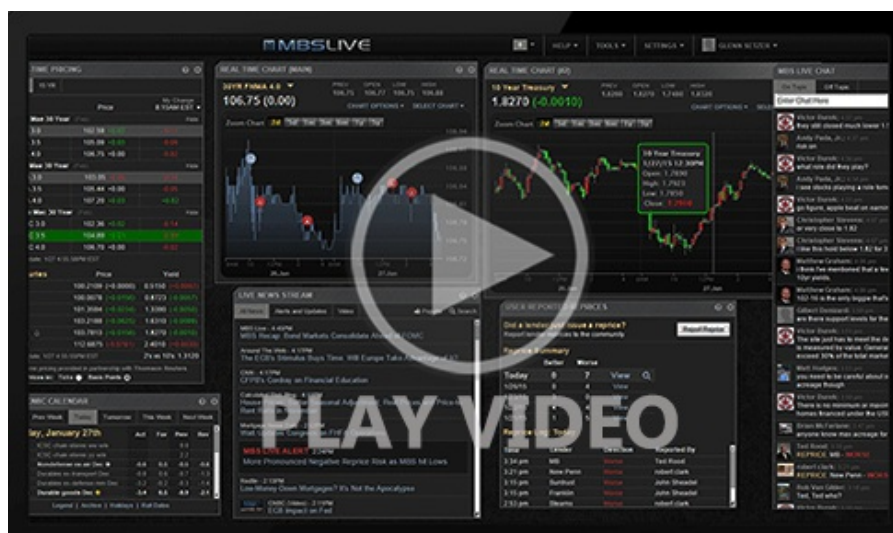
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No Drama Today. How About Tomorrow?

MBS Recap | Matthew Graham | 3:49 PM

After a slightly bumpy start for reasons that remain unknown, the bond market settled into an uneventful sideways grind that lasted through the 3pm CME close. Both MBS and Treasuries were effectively unchanged and the latter didn't give a second thought to a fairly weak 3yr Treasury auction. Trade headlines were less than meaty, but talks between the US and China are now said to potentially move into a 3rd day. That means tomorrow's calendar will be shared between trade-related headlines, a 10yr Treasury auction (more relevant than the 3yr) and CPI data. As far as this week is concerned, this is as action-packed as we've seen the calendar, although that's not saying too much given prevailing sentiment toward inflation data. Specifically, the market cares more about how it looks several months from now. It's not that it can't have an impact, but it would likely be dulled by the caveats.



Alert

10:41 AM MBS Down an Eighth From AM Highs

MBS Morning

10:46 AM Bumpy Start; No Data; Waiting on Auction and Trade Headlines

3:49 PM

Market Movement Recap

- 09:35 AM Modestly stronger overnight and little-changed so far. MBS up 1 tick (0.03) and 10yr down 2.1bps at 4.454
- 01:08 PM No reaction to 3yr auction. MBS down 1 tick (0.03) and 10yr unchanged at 4.474
- 03:09 PM Stocks rise on trade talk comments, but bonds mostly holding. 10yr unchanged at 4.474 and MBS down 1 tick (0.03).

Lock / Float Considerations

- Wednesday brings the confluence of CPI data, the 10yr auction, and another day of trade talks. After a calm start to the week, it's not hard to entertain the possibility that these events could add up to more volatility for rates. We continue to view inflation data as having a bit of an asymmetric risk where a higher number could hurt more than a lower number could help assuming they're equidistant from the consensus.

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

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	4.467%	-0.007%
2 YR	4.011%	+0.007%
30 YR	4.930%	-0.012%
5 YR	4.081%	+0.004%

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