

MBS & TREASURY MARKETS

Daily Coverage. Industry Leading Perspective.

MBS Recap: Not Reading Too Much Into Friday's Weakness



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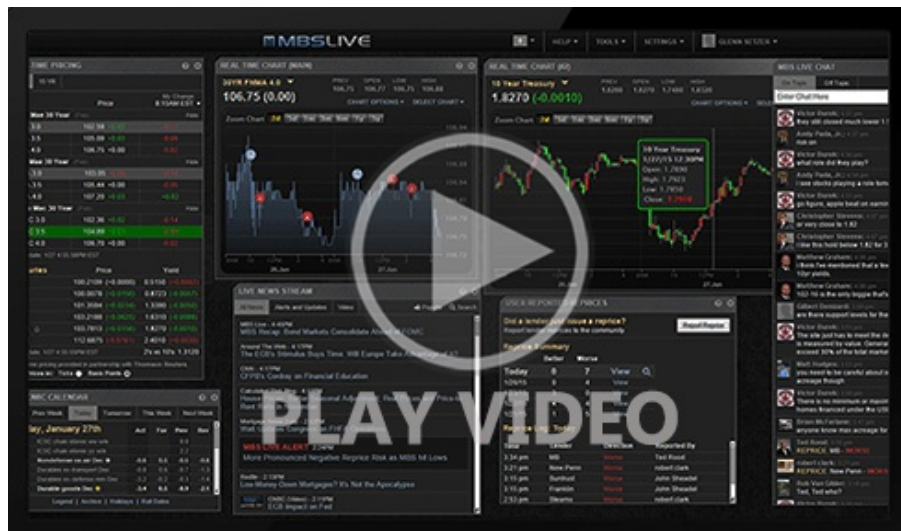


Not Reading Too Much Into Friday's Weakness

MBS Recap | Matthew Graham | 3:31 PM

At first glance, with only one report on the calendar, it's only logical to give Consumer Sentiment credit for sparking today's bond market selling spree. Closer inspection adds nuance. First off, selling began in earnest at 8:20am--the unofficial opening bell for bond market trading and a time of day where inclined sellers/buyers are often lined up and waiting to trade accordingly. Then there's the fact that the post-data selling didn't begin until 6 minutes after the data--an odd eventuality given the tendency for reactions to

be perfectly immediate. Last but not least, we can entertain several reasons that traders might be interested in moving to the sidelines ahead of next week's potential geopolitical developments and Fed announcement.



Watch the Video

MBS Morning

9:53 AM Opening Weaker Despite Israel/Iran Headlines

Alert

10:32 AM Additional Weakness After Sentiment Data

Alert

1:37 PM Weakest Levels; Ongoing Reprice Risk

3:21 PM

Econ Data / Events

- Core MM PPI
 - 0.1 vs 0.3 f'cast, -0.2 prev
- o Core YY PPI
 - 3.0 vs 3.1 f'cast, 3.2 prev
- o Monthly Headline PPI
 - 0.1 vs 0.2 f'cast, -0.2 prev
- o Jobless Claims
 - 248k cs 240k f'cast, 248k prev
- o Continued Claims
 - 195.6k cs 191.1k f'cast, 199.2k prev

Market Movement Recap

- 09:09 AM Roughly unchanged overnight and losing ground early. MBS down just over an eighth and 10yr up 2.3bps at 4.387
- 11:33 AM steady selling all morning. MBS down 10 ticks (.31) and 10yr up 6.2bps at 4.425
- 01:37 PM 10yr yields are now up 8bps on the day at 4.443 and MBS are down nearly 3/8ths of a point
- 03:24 PM Worst seems to be over for selling. Still weaker though with MBS down 9 ticks (.28) and 10yr up 5.2bps at 4.416

Lock / Float Considerations

- The week ended with a token pull-back after a strong mid-week rally. Monday morning is anyone's guess given the geopolitical volatility. Friday's selling restores better balance between risk and reward, but potential volatility is higher than normal.

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

102.80

4.500



MBS

30YR UMBS 5.5
 30YR UMBS 6.0
 30YR GNMA 5.5
 15YR UMBS-15 5.0

US Treasuries

10 YR	4.415%	+0.051%
2 YR	3.953%	+0.043%
30 YR	4.909%	+0.063%
5 YR	4.013%	+0.043%

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