

MBS Recap: Token Weakness Without a Cause



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Token Weakness Without a Cause

MBS Recap Matthew Graham | 4:14 PM

Sometimes bonds rally or sell-off for no apparent reason, or at least for no reason that can be easily proven. That's been the case on each of the past two sessions with 30yr yields moving almost 10bps higher between the two of them. Geopolitical motivations have been nonexistent despite some efforts to link oil price concerns to bond weakness (not a solid thesis right now). Fiscal concerns may be having some small effect behind the scenes, but they're hard to substantiate based on the available headlines. The easiest approach would be to continue to classify the market as rangebound, in which case a pull-back makes sense given the lower yields seen last Thursday--especially with bigger ticket data/events over the next two days.



Watch the Video

MBS Morning

10:25 AM Slow Start Leaves Focus on The Next 2 Days

Alert

2:01 PM Down More Than an Eighth From Highs

4:04 PM

Econ Data / Events

- ○ NY Fed Manufacturing
 - -16.0 vs -5.5 f'cast, -9.20 prev

Market Movement Recap

- 09:48 AM Choppy and slightly weaker overnight, but sideways and holding ground since then. MBS down 2 ticks (.06) and 10yr up 2.4 bps at 4.426
- 01:47 PM After a decent rally into 10:30am, MBS are down an eighth from highs and 3 ticks (.09) on the day. 10yr up 4.6bps at 4.446
- 03:50 PM Heading out near weakest levels with MBS down an eighth on the day and 10yr yields up 5.3bps at 4.454

Lock / Float Considerations

- Bonds have done what they need to do in order to maintain the prevailing range. This reinforces just how challenging it will be for data to justify a meaningful rate rally (and that it will likely need to be employment data rather than persistently tame inflation). Bond weakness on Friday and Monday make for a more neutral approach to this week's big ticket events, but those events are nonetheless capable of prompting a reaction in either direction.

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

US Treasuries

10 YR	4.451%	+0.049%
2 YR	3.968%	+0.018%
30 YR	4.960%	+0.059%
5 YR	4.033%	+0.028%

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