

MBS & TREASURY MARKETS

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MBS Recap: Dot Plot in Focus With Fed's "No Cut" Announcement



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Dot Plot in Focus With Fed's "No Cut" Announcement

MBS Recap | Matthew Graham | 4:31 PM

Bonds lost some ground after this morning's economic data, arguably in response to the Retail Sales control group beating its forecast. Higher-than-expected import prices could also have played a supporting role, but the selling was too modest to worry about perfectly allocating the blame. It was also erased by an afternoon rally that was best explained by general **risk-off** vibes surrounding geopolitical headlines. Here too, we're not seeing anything too compelling in terms of trading justification. The best bet on that front would be Wednesday's dot plot from the Fed (the chart showing each Fed member's rate outlook over the next few years). That will be released at 2pm with the "no cut" announcement.





Watch the Video

Update

8:34 AM Retail Sales Mixed; Import Prices Lower

Update

8:42 AM CORRECTION: Import Prices Flat (Not Lower)

MBS Morning

10:53 AM Econ Data Not Weak Enough to Help

3:56 PM

Econ Data / Events

- ○ Retail Sales
 - -0.3 vs 0.1 f'cast, 0.0 prev
- Core Retail Sales
 - 0.4 vs 0.3 f'cast, -0.1 prev
- Export Prices
 - -0.9 vs -0.7 f'cast, 0.1 prev
- Import Prices
 - 0.0 vs -0.2 f'cast, 0.1 prev

Market Movement Recap

- 09:09 AM Stronger overnight, flat after data, and losing some ground now. MBS still an eighth higher on the day and 10yr down 3.5bps at 4.417
- 01:53 PM Best levels of the day now on Middle East newswires. MBS up 5 ticks (.16) and 10yr down 6.5bps at 4.386

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 UMB 5.5 | + |
| 30YR UMB 6.0 | + |
| 30YR GNMA 5.5 | + |
| 15YR UMB 5.0 | + |

US Treasuries

| | | |
|-------|--------|--------|
| 10 YR | 4.399% | 0.063% |
|-------|--------|--------|

| | | |
|-------|--------|---------|
| 10 YR | 4.389% | -0.062% |
| 2 YR | 3.947% | -0.028% |
| 30 YR | 4.894% | -0.082% |
| 5 YR | 3.985% | -0.055% |

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