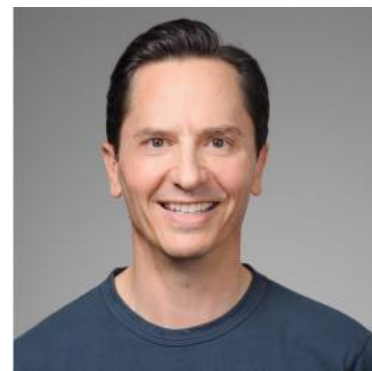


MBS & TREASURY MARKETS

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MBS Recap: Mid Day Reversal Leaves Bonds Slightly Stronger



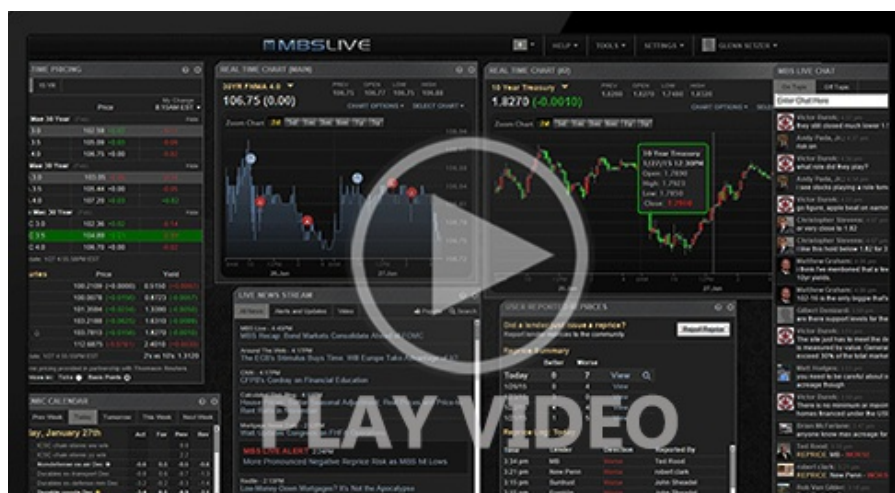
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Mid Day Reversal Leaves Bonds Slightly Stronger

MBS Recap | Matthew Graham | 4:19 PM

This morning, we noted the lightness of the selling pressure that took bonds into modestly weaker territory. It turns out it was so light that it was easy for bond buyers to get back on top in the afternoon hours. There was a bit of help from the Fed's much-anticipated announcement of a change to banking rules that will effectively allow banks to hold more Treasuries than before. This wasn't a big market mover and its impacts would play out in the background over time, but it did seem to help to the tune of a bp or two today. With that, yields hit the 3pm close at their lowest levels since May 7th, just barely edging out yesterday's marks.



MBS Morning

11:23 AM Lighter Calendar and Light Selling

3:48 PM

Econ Data / Events

- ○ New Home Sales
 - 623k vs 690k f'cast, 743k prev

Market Movement Recap

- 09:54 AM Flat overnight and modestly weaker just before the open. MBS down 3 ticks (.09) and 10yr up 2.9bps at 4.321
- 12:51 PM Decent rally ahead of 5yr Treasury auction. 10yr up only 1.3bps at 4.305. MBS down only 1 tick (.03).
- 01:43 PM No major response to 5yr auction. 10yr yields up 2bps at 4.312. MBS down 2 ticks (.06).
- 03:45 PM Best levels of the day with MBS up 2 ticks (.06) and 10yr down nearly 1bp at 4.284

Lock / Float Considerations

- We expected the market to be increasingly receptive to any shift in tone from Powell in this week's testimonies and Tuesday didn't disappoint. Powell was arguably only slightly more **dovish**, but bonds were happy to trade accordingly. Wednesday's testimony is less consequential unless he reiterates near-term rate cut possibilities in a more forceful way. Apart from that yields are pushing a breakout of the bottom of their trading range which is typically a cue for the risk averse crowd to do what they do best. Risk tolerant types just have that much more room overhead to set stop-loss lock triggers. Just be sure you're moving those triggers down as the market rallies (i.e. a classic "trailing stop").

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

10 YR	4.291%	-0.001%
2 YR	3.782%	-0.040%
30 YR	4.835%	+0.012%
5 YR	3.849%	-0.011%

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