

MBS & TREASURY MARKETS

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MBS Recap: Steady Gains in the PM Hours



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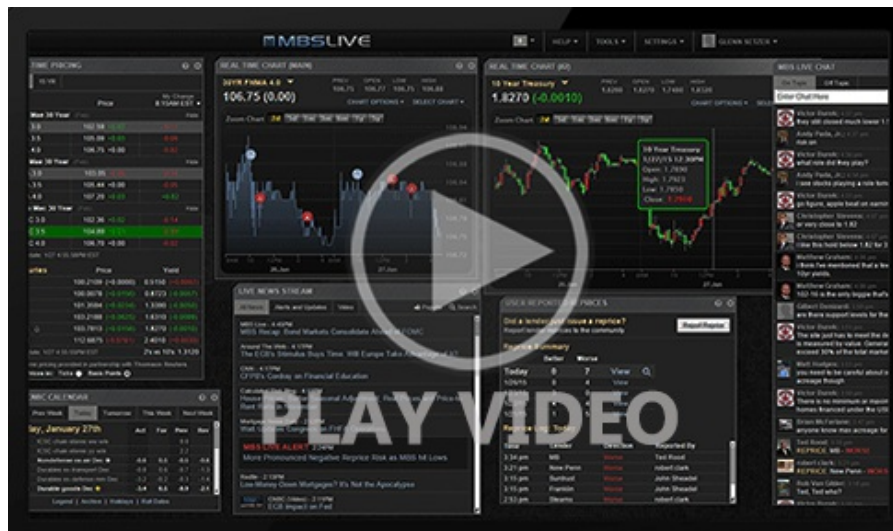


Steady Gains in the PM Hours

MBS Recap | Matthew Graham | 4:44 PM

It's common to see the effects of month/quarter-end trading most prominently in the PM hours and today's quarter-end session was no exception. A glut of bond buying just after 12:30pm got the party started and yields bottomed out just before the 4pm NYSE close. While 4pm is a time that's associated with stocks, it has come to be the larger of the two closing bells for the bond market on month/quarter-end days for a variety of reasons (de-emphasis of CME pit over the years, increased prevalence of ETF trading, large

portfolio rebalancing that involves both stock/bond ETFs, thus arguing for one unified closing mark time). From here, econ data should take the wheel although it's always possible to see some new-month positions have an impact on the first day of a new month.



Watch the Video

MBS Morning

10:14 AM Slow, Sideways Start, But Month-End Volatility Always a Possibility

3:41 PM

Econ Data / Events

- Chicago PMI
 - 40.4 vs 43.0 f'cast, 40.5 prev

Market Movement Recap

- 09:12 AM Modestly stronger overnight with gains at the start of EU trading. MBS up 2 ticks (.06) and 10yr down 1.7bps at 4.264
- 11:49 AM Very calm still. MBS up 1 tick (.03) and 10yr down 1.8bps at 4.263
- 01:28 PM Month-end buying picking up a bit. 10yr down 4.8bps at 4.234. MBS up an eighth.
- 04:33 PM Strong month-end move into the close. MBS up almost a quarter point and 10yr down 4.8bps at 4.233

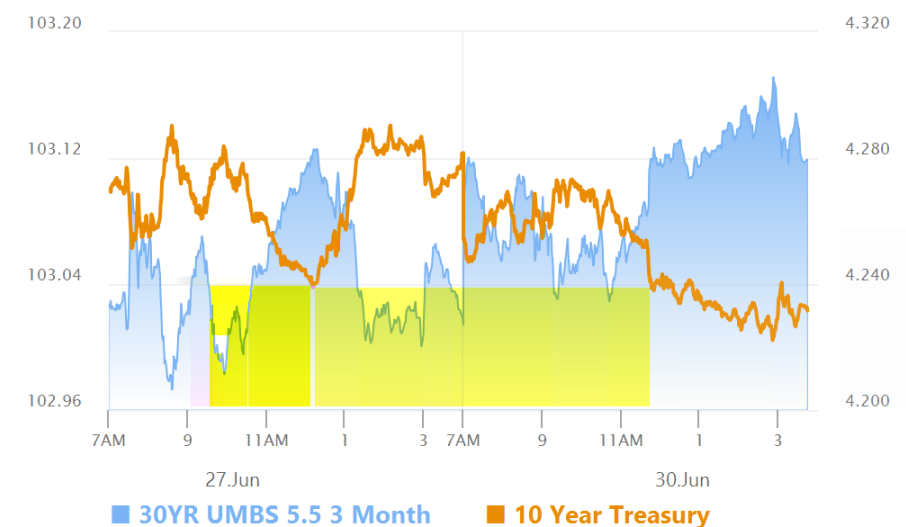
Lock / Float Considerations

- Bonds have shifted from range-bound to trending lower in yield this week. Data is only partly able to explain the shift. The rest requires things like friendlier Fed comments and even regulatory changes that allow banks to hold more Treasuries. Either way, weaker data (and the expectation of more to come) is likely part of the equation. That will be very important in the coming days and especially with the jobs report on Thursday. Next week's CPI is critically important as well.

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	+

US Treasuries

10 YR	4.231%	-0.050%
2 YR	3.727%	-0.023%
30 YR	4.779%	-0.052%
5 YR	3.801%	-0.034%

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