

MBS & TREASURY MARKETS

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MBS Recap: Traders Buy The Dip After AM Data



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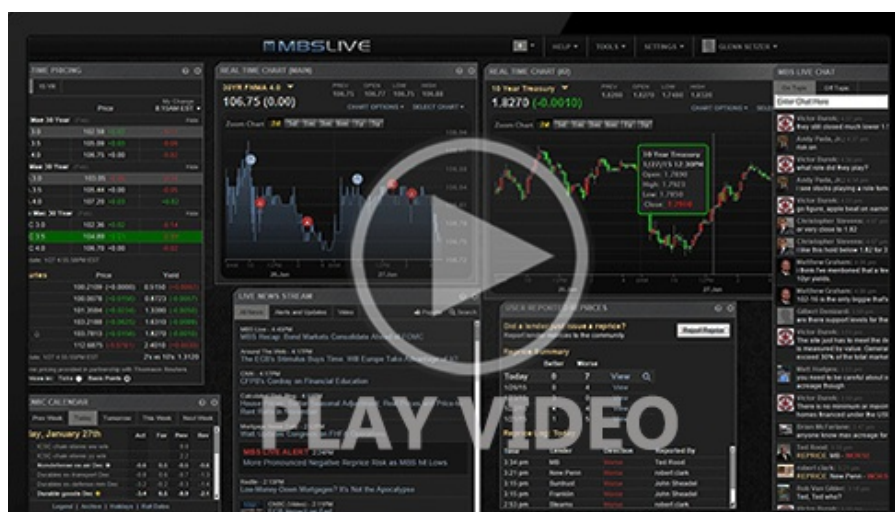
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Traders Buy The Dip After AM Data

MBS Recap | Matthew Graham | 4:04 PM

After a bit of overnight strength and an early morning pull-back, bonds were right in line with yesterday afternoon's levels ahead of the 10am data. JOLTS (job openings) pushed yields back to yesterday's highs--perhaps with some help from the Senate's passage of the spending bill, but at that point, traders bought the dip in bond prices and pushed back into the day's range. It wasn't enough to get back to positive territory, but it made the day less of an obvious turning point in the bigger-picture. Perhaps a better way to say it would be that bonds still look open-minded when it comes to responding to Thursday's jobs report and next week's CPI.



Update

9:49 AM Giving Up Overnight Gains

MBS Morning

10:33 AM AM Data Possibly Arguing For a Bounce

Alert

12:01 PM Weakest Levels of The Day

3:26 PM

Econ Data / Events

- ○ S&P Manufacturing PMI
 - 52.9 vs 52.0 f'cast, 52.0 prev
- ISM Manufacturing
 - 49.0 vs 48.8 f'cast, 48.5 prev
- ISM Employment
 - 45.0 vs 47.0 f'cast, 46.8 prev
- ISM Prices
 - 69.7 vs 69 f'cast
- Job Openings
 - 7.769m vs 7.300m f'cast, 7.395m prev

Market Movement Recap

- 10:34 AM slightly stronger overnight, but progressively weaker in the AM--especially after 10am econ data. MBS down 7 ticks (.22) and 10yr up 3.2bps at 4.256
- 12:01 PM 10yr yields are up 5bp at 4.273. MBS down a quarter point.
- 02:59 PM Modest recovery. MBS down only 5 ticks (.16) now. 10yr up 2.5bps at 4.25

Look / Float Considerations

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
15YR UMBS-15 5.0

US Treasuries

10 YR	4.247%	+0.022%
2 YR	3.775%	+0.059%
30 YR	4.770%	-0.005%
5 YR	3.836%	+0.032%

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