

MBS & TREASURY MARKETS

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MBS Recap: Correction to the Correction. Will it Last?



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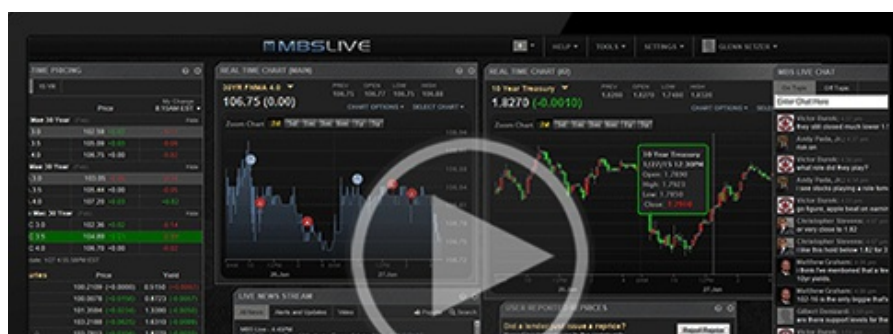


INTEGRITY FINANCIAL

Correction to the Correction. Will it Last?

MBS Recap | Matthew Graham | 4:27 PM

Hindsight is 20/20 and foresight may have been close enough this week given the classic correction to June's rally giving way to a classic correction of that correction as early as Tuesday afternoon. It wasn't really until Wednesday that bond traders really showed their cards, buying early and often--well in advance of the afternoon's 10yr Treasury auction or Fed Minutes. In fact, it's not clear that either of those events were necessary to today's victory although the auction certainly had a more measurable impact. Data remains scarce on Thursday and foresight gets cloudy again. In other words, anything that was remotely foreseeable has now run its course as we wait to see how narrow the likely-sideways range will be between now and next week's CPI data.





Watch the Video

MBS Morning

10:09 AM Bonds Sticking to Predictable Script So Far This Week

3:50 PM

Econ Data / Events

- ○ Refi Apps
 - 829.3 vs 759.7
- Purchase Apps
 - 180.9 vs 165.3

Market Movement Recap

- 09:38 AM Consistent buying starting right at the 8:20am CME open. 10yr now down 3 bps at 4.38 and MBS up 2 ticks (.06)
- 12:25 PM MBS at best levels, up 5 ticks (.16) and 10yr down almost 4bps at 4.371
- 01:10 PM Very decent 10yr auction and some more improvement. 10yr yield down 5bps at 4.357 and MBS up 6 ticks (.19).
- 02:11 PM Modest improvement after Fed minutes. MBS up 6 ticks (.19) and 10yr down 6.3bps at 4.343
- 04:15 PM Heading out at best levels with MBS up almost a quarter point and 10yr down 6.5bps at 4.341

Lock / Float Considerations

- Tuesday's half-hearted weakness proved to be a clue about bond buyers waiting to jump back in the market after the past week of weakness. Anything that was remotely foreseeable has now run its course as we wait to see how narrow the likely-sideways range will be between now and next week's CPI data is risk and reward are more balanced now and the risk tolerance crowd can use Tuesday's

CPI data. i.e. risk and reward are more balanced now and the risk tolerant crowd can use Tuesday's weakest levels as a stop-loss in the short term.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
 - 4.64
 - 4.48
- Floor/Resistance
 - 3.99
 - 4.05
 - 4.12
 - 4.19
 - 4.34
 - 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	4.339%	-0.067%
2 YR	3.853%	-0.041%
30 YR	4.873%	-0.055%
5 YR	3.915%	-0.056%

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