

MBS & TREASURY MARKETS

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MBS Recap: Fed Speakers and Auction Help Bonds Hold Steady



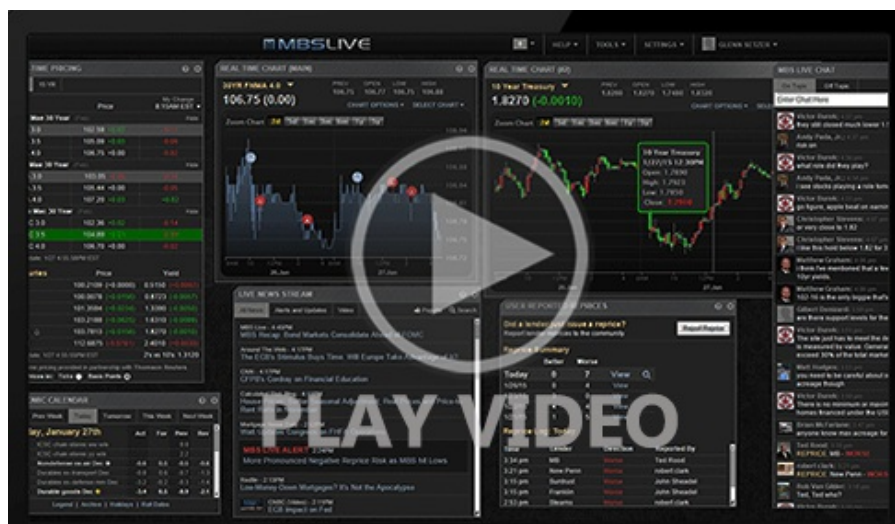
Matt Graham
Founder and CEO, MBS Live

MBSLIVE

Fed Speakers and Auction Help Bonds Hold Steady

MBS Recap | Matthew Graham | 5:06 PM

Bonds technically lost a small amount of ground today, but it's just as fair to say that they're holding steady on the week. In fact, closing yields today were right in line with last Thursday's closing levels. This might not have been the case if not for today's Fed speakers--several of whom reiterated **dovish** messages about being able to cut sooner rather than later. Other comments reiterated the notion that tariff-driven inflation should start to show up in next week's data (further increasing the stakes for CPI). The Treasury auction wasn't especially strong, but we occasionally see bonds improve simply because the auction cycle is over for any given week. While this isn't a big move, one could argue that it also helped the afternoon mini-rally.



Update

8:38 AM Very Modest Selling After Lower Jobless Claims

MBS Morning

11:33 AM Week's Only Relevant Data is Not Bond-Friendly

4:56 PM

Econ Data / Events

- ○ Jobless Claims
 - 227k vs 235k f'cast, 232k prev
- Continued Claims
 - 1965k vs 1980k f'cast, 1955k prev

Market Movement Recap

- 08:39 AM MBS are down an eighth and 10yr yields are up 1bp at 4.345.
- 01:03 PM Pretty boring 30yr bond auction. Sideways at weaker levels with MBS down 6 ticks (.19) and 10yr up 2.9bps at 4.365
- 02:30 PM Decent little bounce after Waller comments. MBS down just over an eighth and 10yr up less than 1bp at 4.344
- 05:05 PM Modestly weaker at the close, but broadly sideways on the week. MBS down 5 ticks (.16) and 10yr up 1.1bps at 4.347

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. 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")
 - 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	4.346%	+0.010%
2 YR	3.876%	+0.036%
30 YR	4.870%	+0.001%
5 YR	3.935%	+0.035%

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