

# MBS & TREASURY MARKETS

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## MBS Recap: Bonds Unfazed by Econ Data



**Jason R. Richardson**

City First Mortgage

[RichardsonLending.com](http://RichardsonLending.com)

**P:** (800) 475-6255

**M:** (661) 857-2202

[jason@city1st.com](mailto:jason@city1st.com)

750 S Main Street  
Bountiful UT 84010

**NMLS#256859**

Licensed in AL, CA, CO, HI, OH, TN,  
TX



## Bonds Unfazed by Econ Data

**MBS Recap** Matthew Graham | 3:55 PM

If you had to guess at the bond market's response this morning based solely on the outcome of the 8:30am economic data, you'd be very well justified in assuming some selling/weakness. While that may have been the case for a few moments, it was quickly replaced by bond buying as traders parsed the Retail Sales internals, revisions, and especially the inflation-adjusted spending implications. In a nutshell, the report showed an ongoing downtrend in discretionary consumer spending and that ended up being the trade of the day--even if it wasn't a super huge trade. This was enough to keep bonds in positive territory for most of the day, despite an afternoon correction back to unchanged levels.





Watch the Video

## Update

8:36 AM Stronger Retail Sales; Not Much of a Reaction

## MBS Morning

10:52 AM Decent Start Despite Stronger Retail Sales Headline

## Alert

2:14 PM Down an Eighth From Highs

3:02 PM

## Econ Data / Events

- ○ Retail Sales
  - 0.6 vs 0.1 f'cast, -0.9 prev
- Core Retail Sales
  - 0.5 vs 0.3 f'cast, 0.2 prev
  - last month revised from 0.4
- Import prices
  - 0.1 vs 0.3
  - last month revised to -0.4 from 0.0
- Jobless Claims
  - 221k vs 235k f'cast, 228k prev
- Continued Claims
  - 1956k vs 1970k f'cast, 1954k prev
- Philly Fed
  - 15.9 vs -1 f'cast, -4.0 prev

## Market Movement Recap

- 08:39 AM 10yr yields are up 1bp at 4.468. MBS are down 2 ticks (.06)
- 09:34 AM In positive territory now with MBS up 2 ticks (.06) and 10yr down 1.9bps at 4.44
- 02:11 PM MBS back to unchanged on the day and down an eighth from highs. 10yr up half a bp at 4.463

## Lock / Float Considerations

- With all big ticket econ data in the rearview and bonds not much worse for the wear, the negative momentum seen after Tuesday's CPI is arguably defeated and we're onto waiting for the next major flashpoints. We'll be waiting a while for anything serious--at least as far as scheduled data is concerned. Apart from the July 30th Fed announcement, it's not until early August that relevant data returns en masse. That doesn't mean we can't see volatility between now and then, but it will not adhere to a schedule.

## 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 | 4.456% | -0.003% |
| 2 YR  | 3.913% | +0.024% |
| 30 YR | 5.007% | -0.007% |
| 5 YR  | 3.998% | +0.002% |

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