

MBS & TREASURY MARKETS

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MBS Recap: Needle Threaded. Now What?



Lance Levin

JFQ Lending

JFQlending.com

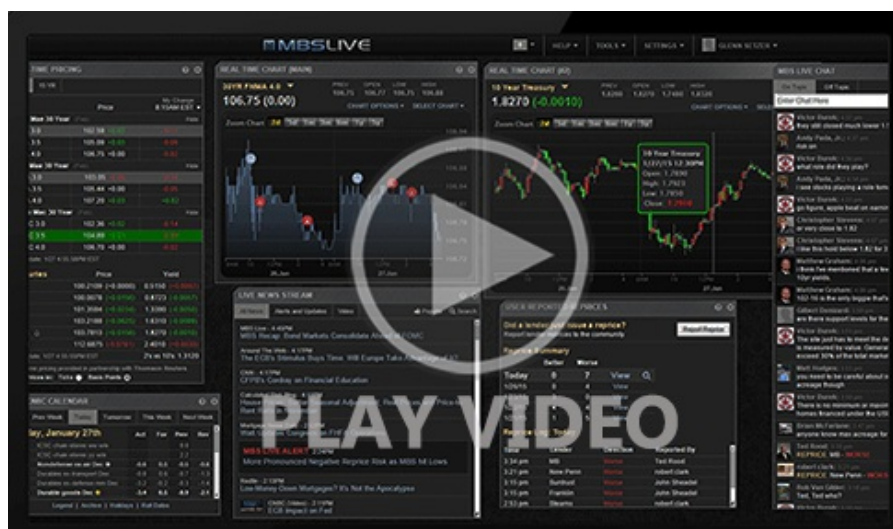
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Needle Threaded. Now What?

MBS Recap | Matthew Graham | 5:28 PM

As always, big-ticket data and/or news headlines have **potential** energy in terms of their impact on bonds/rates. For instance, this week's CPI **could** have caused a big move higher or lower. Same story with Trump/Powell headlines. Realized impacts of high-potential-energy events can vary quite a bit. All too often, separate considerations, data line-items, or headlines and subsequent retractions act as offsetting penalties that return the bond market to the original line of scrimmage. Such was the case this week and Friday didn't do anything to change that. In fact, it solidified the feat. From here, in terms of what's on the calendar, apart from the lame duck Fed announcement at the end of July, we're mostly waiting for the next jobs report in early August.



Watch the Video

Econ Data / Events

- ○ Consumer Sentiment
 - 61.8 vs 61.5 f'cast, 60.7 prev
- 1yr inflation expectations
 - down 0.6%
- 5yr inflation expectations
 - down 0.4%

Market Movement Recap

- 10:22 AM Modestly stronger overnight and sideways so far. MBS up 3 ticks (.09) and 10yr down 2.2bps at 4.431
- 01:49 PM Sideways to slightly stronger. MBS up an eighth and 10yr down 3.3bps at 4.42
- 05:27 PM Same levels as the last update and that's a wrap for the week. Bonds almost perfectly unchanged from last Friday.

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	4.419%	-0.034%
2 YR	3.871%	-0.033%
30 YR	4.995%	-0.013%
5 YR	3.949%	-0.042%

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