

MBS & TREASURY MARKETS

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MBS Recap: Broadly Calm Despite Modest Pull-Back



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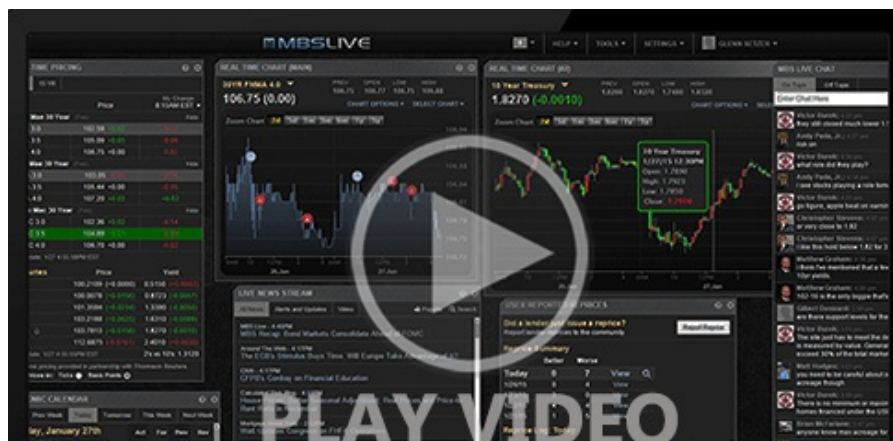
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Broadly Calm Despite Modest Pull-Back

MBS Recap | Matthew Graham | 4:54 PM

If anything about the present week required investigation and explanation, it was the justification for fairly decent gains right out of the gate. Today's weakness, by comparison, is more logical. Why? Broader momentum is sideways and volatility should be lower this week vs last. A bit of of a pull-back on Wednesday means bonds are doing a good job of keeping things sideways. For those determined to assign blame, we could perhaps turn to the US/Japan trade deal progress that apparently helped stocks and hurt bonds in the overnight session. At the very least, we know markets are somewhat tuned in to such developments based on mid-day newswires regarding a potential EU trade deal that briefly hit bonds and helped stocks.





10:43 AM Weaker Start After Japan Trade Deal

12:01 PM Weakest Levels After EU Tariff Updates

3:37 PM

Market Movement Recap

08:47 AM steadily weaker overnight on trade deal announcements. MBS down 3 ticks (.09) and 10yr up 2.4bps at 4.37

11:49 AM Sideways to slightly weaker. MBS down an eighth and 10yr up 3.1bps at 4.344

12:18 PM Weakest levels after trade headlines, but stabilizing now. MBS down an eighth and 10yr up 4.3bps at 4.389

04:31 PM Heading out without much change. MBS down an eighth and 10yr up 3.5bps at 4.381

Lock / Float Considerations

- The post-CPI winning streak ended on Wednesday with a modest sell-off. It's hard to read too much into either the winning streak or Wednesday's bounce. As we said on Tuesday, it was more likely that we'd see the winning streak level off ahead of next week's more active slate of big ticket econ data. Bond traders likely don't even know if 1 day was enough of a leveling-off. A certain mix of developments in the news, earnings, or tomorrow morning's data could change the course of the day. In general, we're still biding time until next week's data.

Technical/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	4.382%	+0.036%
2 YR	3.881%	+0.052%
30 YR	4.937%	+0.021%
5 YR	3.933%	+0.048%

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