

MBS & TREASURY MARKETS

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MBS Recap: A "No Reaction" Sort of Day



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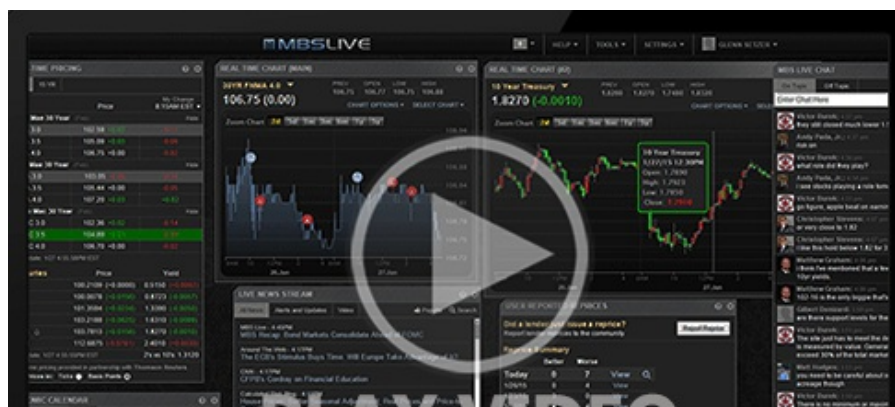
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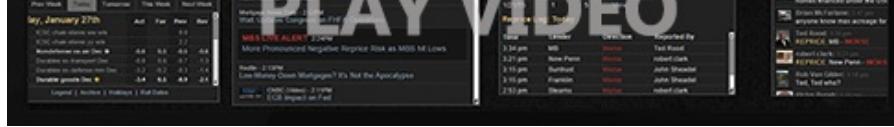
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A "No Reaction" Sort of Day

MBS Recap | Matthew Graham | 4:15 PM

Granted, there were no big ticket economic reports on tap for Monday, but there were several events that had at least some small chance to inspire some momentum. These included the 2 and 5 year Treasury auctions (both earlier in the week than normal due to month-end falling on a Thursday) and Treasury borrowing estimates for fiscal Q4 (Jul-Sep). The latter is part 1 of 2. The 2nd part arrives on Wednesday afternoon with the full breakdown of new auction amounts. Today's release provided an updated total amount. After filtering out the noise, and giving credit for undershooting borrowing needs last quarter, borrowing estimates only increased \$4bln for Q3 and Q4--not enough to stress out the bond market today. Bottom line: no discernible reaction to the auctions or the Treasury news. On to econ data now, starting with Tuesday's Job Openings at 10am ET.





Watch the Video

MBS Morning

10:50 AM Slowest Day of a Very Busy Week

3:47 PM

Market Movement Recap

- 10:17 AM Sideways to slightly weaker overnight. MBS down 2 ticks (.06) and 10yr up 1.6bps at 4.404
- 11:35 AM No major reaction to 2yr auction, nor would we expect one. MBS down 3 ticks (.09) and 10yr up 2.6bps at 4.415
- 01:43 PM No major reaction to 5yr auction despite much weaker results. MBS down 2 ticks (.06) and 10yr up 1.9bps at 4.408
- 03:42 PM No reaction to Treasury borrowing estimates. MBS down 2 ticks (.06) and 10yr up 2.5bps at 4.413

Lock / Float Considerations

- Inconsequential range trade ahead of the bulk of this week's big ticket events and potential market movers. From a lock/float risk/reward standpoint, that's really when things get interesting. Monday was the lightest in terms of scheduled events. Friday carries the biggest risks (jobs report).

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

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	4.413%	+0.025%
2 YR	3.926%	-0.006%
30 YR	4.961%	+0.031%
5 YR	3.969%	+0.015%

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