

MBS & TREASURY MARKETS

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MBS Recap: Month-End Volatility Erodes Modest Gains



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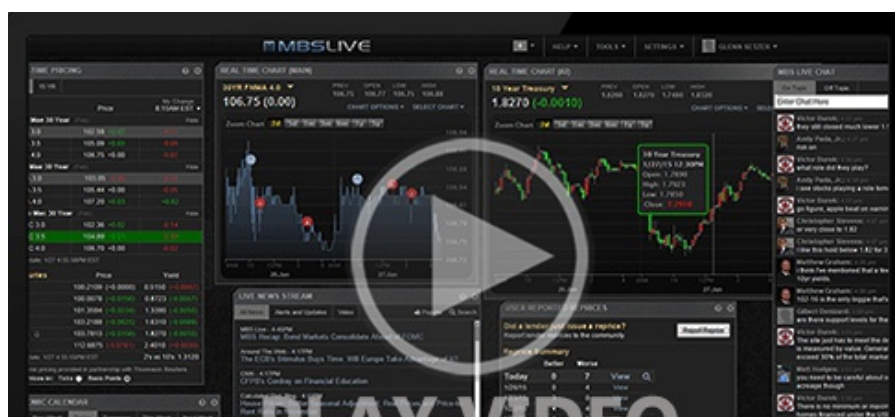
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Month-End Volatility Erodes Modest Gains

MBS Recap | Matthew Graham | 4:46 PM

Bonds were slightly stronger in the overnight session and this morning's economic data did little to change that. The initial reaction may have involved a modicum of selling, but it was fully erased by 11:15am. The PM hours saw both stocks and bonds paring long positions for July's final marks. The typical closing bells (3pm and 4pm) accounted for most of the losses. Bonds ultimately gave up all of the overnight gains, but remain close enough to 'unchanged' heading into Friday's big jobs report.





8:34 AM Minimal Reaction to Modestly Higher PCE

10:33 AM No Whammies From PCE

2:36 PM Weakest Levels of The Day

3:11 PM What Does July's Data Suggest About Friday's Jobs Report?

4:04 PM Slightly More Reprice Risk

4:13 PM

- ○ Challenger layoffs (Jul)
 - 62.075K vs prev 47.999K
- Continued Claims (Jul 19)
 - 1.946M vs f'cast 1.960M, prev 1.955M
- Core PCE (m/m) (Jun)
 - 0.3% vs f'cast 0.3%, prev 0.2%
- Core PCE Inflation (y/y) (Jun)
 - 2.8% vs f'cast 2.7%, prev 2.7%
- Employment costs (Q2)
 - 0.9% vs f'cast 0.8%, prev 0.9%
- Inflation-Adjusted Spending (Consumption) (Jun)
 - 0.3% vs f'cast 0.4%, prev 0.0%
- Jobless Claims (Jul 26)
 - 218K vs f'cast 224K, prev 217K
- Personal Income (Jun)
 - 0.3% vs f'cast 0.2%, prev -0.4%

Market Movement Recap

- 08:34 AM Little changed from stronger overnight levels after data. MBS are up just over an eighth and 10yr yields are down 3bps at 4.345
- 11:49 AM resilience into late AM hours. 10yr down 4bps at 4.335 and MBS up an eighth
- 02:40 PM 10yr yields still down 1.6 bps at 4.359, but at highs of day. MBS are still up 2 ticks (.06), but at the lows of the day.
- 04:04 PM weakest levels. MBS unchanged and 10yr down only half a bp at 4.369

Lock / Float Considerations

- As always, all bets are off ahead of the month's most important economic report (jobs report/NFP). Late day weakness creates some asymmetric risk toward higher rates (for lenders who don't reprice for the worse). In other words, if NFP were to have zero impact on rates, the bias is slightly in favor of locking. That said, NFP can, of course, have a very large impact on rates for better or worse.

Technicals/Trends in 10yr (why 10yr)

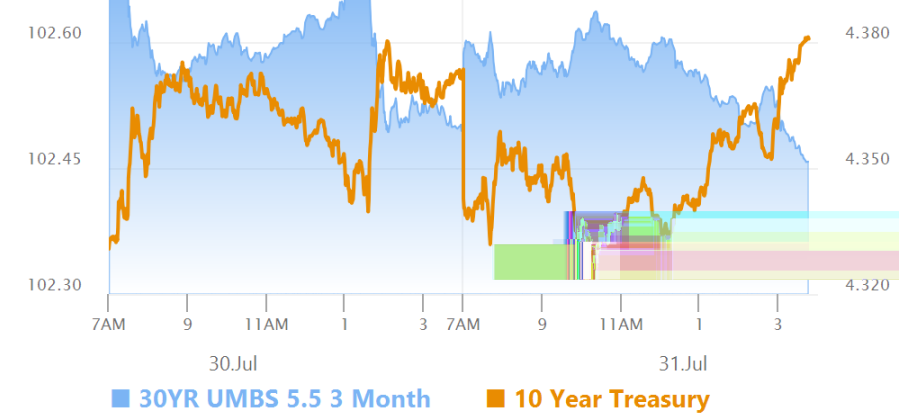
- Ceiling/Support (can be used as "lock triggers")
 - o 4.64
 - o 4.48
- Floor/Resistance
 - o 3.99
 - o 4.05
 - o 4.12
 - o 4.19
 - o 4.34
 - o 4.40

MBS & Treasury Markets

102.75

4.410





MBS

30YR UMBS 5.5
 30YR UMBS 6.0
 30YR GNMA 5.5
 15YR UMBS-15 5.0

US Treasuries

10 YR	4.381%	+0.006%
2 YR	3.960%	+0.018%
30 YR	4.904%	+0.001%
5 YR	3.977%	+0.016%

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