

MBS & TREASURY MARKETS

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MBS Recap: Fairly Resilient Despite Bumpy Auction



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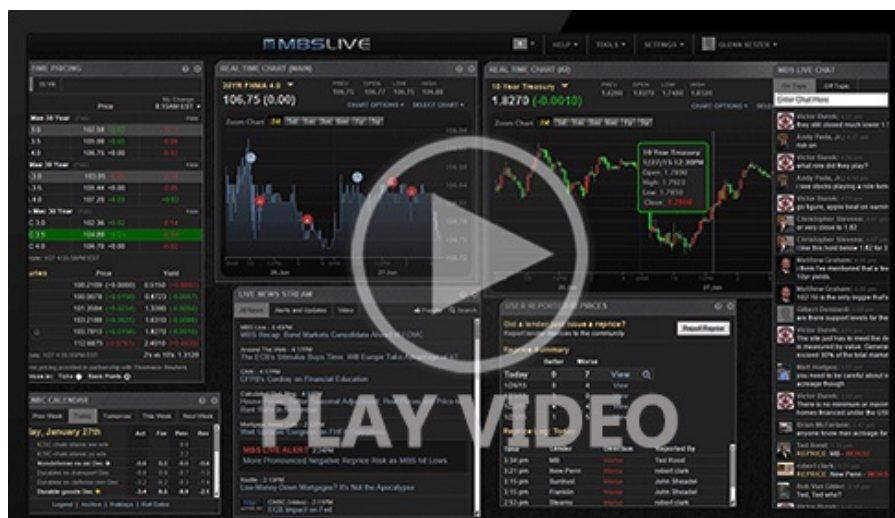
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Fairly Resilient Despite Bumpy Auction

MBS Recap | Matthew Graham | 4:18 PM

The relevant morning econ data was limited to Jobless Claims. While the weekly and continuing numbers were both higher than expected, it wasn't a big enough miss to spark any sort of decisive rally in bonds. MBS lost ground heading into the PM hours and lost some more ground after a poorly received 30yr bond auction. But whereas the auction could have been used as a front for additional selling, bonds generally did a decent job of holding their ground in the last few hours of the day. Friday's calendar is empty. This doesn't mean we won't see any volatility--simply that it could not be driven by scheduled events.



MBS Morning

9:49 AM Another Sideways Start Amid Uninspiring Data

Alert

1:05 PM Losing Ground After 30yr Bond Auction

4:12 PM

Econ Data / Events

- ○ Jobless Claims
 - 226k vs 221k f'cast, 219k prev
- Continuing Claims
 - 1974k vs 1950k f'cast, 1936k prev

Market Movement Recap

08:31 AM ho-hum Jobless Claims. No reaction. 10yr up 0.3bps at 4.231 MBS up 1 tick (.03)

11:55 AM Still flat. MBS unchanged and 10yr unchanged at 4.227

01:06 PM weaker after 30yr auction. MBS down 2 ticks (.06) and 10yr up 1.7bps at 4.245

02:55 PM avoiding sharper losses. MBS down 3 ticks (.09) and 10yr up 1.5bps at 4.243

Lock / Float Considerations

- After last week's NFP-driven rally, bonds have been fairly flat this week. The absence of follow-through. It increasingly makes 4.20% look like a resistance level. The lowest rates in 10 months will always be a compelling lock opportunity for the risk-averse crowd. Risk-tolerant floaters have many overhead lock triggers to choose from between present levels and 4.40%. Thursday afternoon carries some specific asymmetric risk for those floating with lenders who did NOT reprice for the worse on Thursday. If bonds hold perfectly steady overnight, those lenders will be looking at low enough MBS prices to result in slightly higher rates in Friday morning's rate sheets.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
 - 4.64
 - 4.48
 - 4.40
 - 4.34
 - 4.28
- Floor/Resistance
 - 3.99
 - 4.05
 - 4.12
 - 4.19

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	4.239%	+0.012%
2 YR	3.720%	+0.008%
30 YR	4.821%	+0.020%
5 YR	3.780%	+0.003%

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