

MBS & TREASURY MARKETS

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MBS Recap: Data-Free Rally Day



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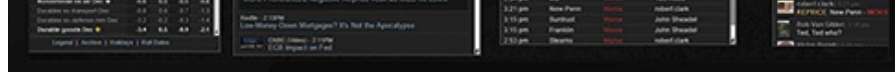


Data-Free Rally Day

MBS Recap | Matthew Graham | 4:18 PM

Wednesday represented this week's lull in terms of scheduled market movers on the calendar. Overnight gains came courtesy of strength in EU bonds as well as burgeoning expectations for a Fed rate cut at the September meeting (now roughly 100% priced-in according to Fed Funds Futures). There were no new reasons for changes in Fed Funds Futures beyond yesterday's CPI release, so chalk it up to general trade flow momentum. Thursday brings PPI which, while not as big a deal as CPI, can sometimes cause a noticeable reaction due to its impact on the broader PCE price index.





Watch the Video

MBS Morning

9:40 AM Follow-Through Rally as Fed Rate Cut Expectations Increase

1:51 PM

Econ Data / Events

- ○ MBA refi index
 - 956.2 vs 777.4 prev
- MBA Purchase Index
 - 160.2 vs 158.0 prev

Market Movement Recap

- 09:14 AM Steadily stronger overnight with additional gains this morning. MBS up 6 ticks (.19) and 10yr down 4.2bps at 4.248
- 01:01 PM Calmly holding gains. 10yr down 5.4bps at 4.234 and MBS up nearly a quarter point.
- 03:08 PM 10yr down 5bps at 4.239. MBS up 7 ticks (.22)

Lock / Float Considerations

- After a lower consequence day on Wednesday, risk/reward increase somewhat on Thursday and Friday with the return of econ data (PPI on Thursday and Retail Sales on Friday). Risk-tolerant clients still have plenty of room between here and the 4.40% technical level to set overhead lock triggers. Risk-averse clients still have the lowest rates in 10 months.

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 | 4.236% | -0.054% |
| 2 YR | 3.678% | -0.055% |
| 30 YR | 4.834% | -0.045% |
| 5 YR | 3.766% | -0.053% |

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