

MBS & TREASURY MARKETS

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MBS Recap: Incidental Weakness or a New Trend?

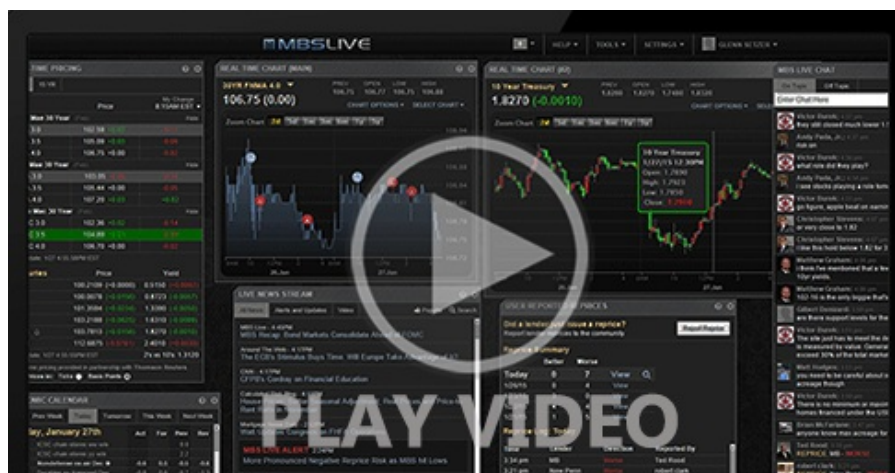


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Incidental Weakness or a New Trend?

MBS Recap | Matthew Graham | 3:56 PM

The most interesting thing that happened in the bond market today involved trading levels breaking to just slightly worse levels than last week. Looking back to the beginning of the month, this is starting to look like a trend toward progressively weaker levels. But is it? From a purely technical standpoint, that case could be made, but considering volume, the time of year, and the econ calendar, it's just as easily chalked up to incidental movement in a narrow range. In fact, all of August's trading continues taking place well inside the range set by the post-jobs report rally.



MBS Morning

10:09 AM Light Calendar; Early Selling

Alert

10:57 AM Down an Eighth From Some Early Rate Sheets

3:53 PM

Econ Data / Events

- ○ Export prices mm (Jul)
 - 0.1% vs 0.1% f'cast, prev 0.5%
- Import prices mm (Jul)
 - 0.4% vs 0.0% f'cast, prev -0.1%
- NY Fed Manufacturing (Aug)
 - 11.90 vs 0.0 f'cast, prev 5.50
- Retail Sales (Jul)
 - 0.5% vs 0.5% f'cast, prev 0.6%
- Retail Sales (ex-autos) (Jul)
 - 0.3% vs 0.3% f'cast, prev 0.8%
- Retail Sales Control Group MoM (Jul)
 - 0.5% vs 0.4% f'cast, prev 0.8%

Market Movement Recap

- 09:25 AM Moderately stronger overnight, but selling off since 8:20am CME open. MBS unchanged and 10yr down less than half a bp at 4.313
- 10:57 AM Weakest levels. MBS down an eighth and 10yr up 2bps at 4.337
- 02:57 PM Sideways just off weakest levels. MBS down 3 ticks (.09) and 10yr up 2.2bps at 4.34

Lock / Float Considerations

- With bonds starting the week by breaking last week's support levels, the outlook is more defensive until the negative momentum subsides.

Technicals/Trends in 10yr (why 10yr)

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

Instrument	Yield	Change
10 YR	4.340%	+0.023%
3 YR	3.750%	+0.016%

2 YR	3.770%	+0.016%
30 YR	4.941%	+0.024%
5 YR	3.855%	+0.016%

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