

MBS & TREASURY MARKETS

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MBS Recap: Slow, Steady, Modest Improvement



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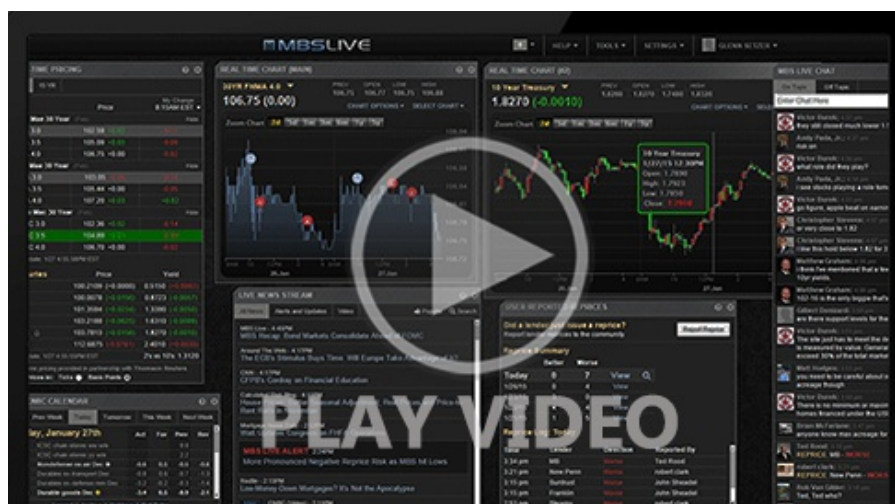
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Slow, Steady, Modest Improvement

MBS Recap | Matthew Graham | 4:20 PM

Bonds are in the throes of the summertime "blahs." In other words, excitement and high-conviction trading are in short supply. Instead, prices and yields are drifting in a broadly sideways path with minimal day to day movement. Motivations are non-existent and the numbers on the screen are incidental byproducts of non-data-driven hedging and position squaring. It's easier to just say "the blahs." Thankfully, the blahs aren't always bad. Today's blah were pretty OK with 10yr yields hitting the 3pm close with a few bps of improvement and MBS holding a 1 tick (.03) improvement for most of the day. Motivations remain in short supply in the near term. Wednesday's Fed Minutes won't have any revelations that haven't already come to light in Fed speeches. Powell's Friday speech at Jackson Hole is the only scheduled event with teeth, and those teeth are nowhere near as sharp as something like the jobs report.



MBS Morning

12:08 PM Incidental Resilience

4:11 PM

Econ Data / Events

- ○ Building Permits (Jul)
 - 1.354M vs 1.39M f'cast, 1.393M prev
- Housing Starts (Jul)
 - 1.428M vs 1.29M f'cast, 1.321M prev

Market Movement Recap

09:30 AM modestly stronger overnight. 10yr down 1.7bps at 4.319. MBS up 1 tick (.03)

12:51 PM 10yr down 2.7bps at 4.309 and MBS still up 1 tick (.03)

04:10 PM 10yr down 2.9bps at 4.307. MBS still up 1 tick (.03).

Lock / Float Considerations

- Tuesday proved that incidental summertime trading drift goes both ways. Wednesday's Fed Minutes might offer a small amount of motivation, but it would be less surprising if bonds didn't react at all. There's little to be done with respect to lock/float decisions at times like this. Risk tolerant clients will wait for a bigger move to inform their decisions. Risk averse clients are happy to lock with rates still near long-term lows. And those in between are well served by flipping coins.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
 - 4.64
 - 4.48
 - 4.40

- 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	4.307%	-0.029%
2 YR	3.752%	-0.023%
30 YR	4.907%	-0.027%
5 YR	3.825%	-0.026%

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