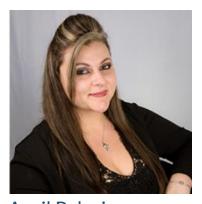
MBS & TREASURY MARKETS

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MBS Recap: Some Headwinds Ahead of Powell's Jackson Hole Speech



April Palacios Branch Sales Manager, Fairway Independent Mortgage Corporation P: (980) 290-4140 M: (704) 989-2961 6431 Old Monroe Rd. Suite 201 Indian Trail North Carolina 28079 124941



Some Headwinds Ahead of Powell's Jackson Hole Speech

MBS Recap Matthew Graham | 1:25 PM

Thursday brought the week's only relevant econ data with 3 occasional market movers on tap. Their results were mixed, but the important development was that the inflation components of the Philly Fed and S&P PMI data agreed that price pressures are alive and well. This made for a weaker start during the AM hours and that weakness was exacerbated by comments from Fed's Hammack (who said current data doesn't justify a September rate cut). A super strong 30yr TIPS auction at 1pm helped push back just a bit (which is guite remarkable as this essentially never has an impact). In the bigger picture, bonds could still be classified as drifting sideways to slightly weaker in a narrow range. Friday morning's speech from Fed Chair Powell isn't guaranteed to cause volatility, but it's the week's only true top-tier event in terms of volatility potential.





Watch the Video

Update

8:37 AM Erasing Some Overnight Losses After Data

Update

9:02 AM And.... It's Gone (Post Data Rally Erased)

MBS Morning

10:24 AM Mixed Data Making For Weaker Start

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11:21 AM Losing More Ground After Fed's Hammack Comments

1:13 PM

Econ Data / Events

- Continued Claims (Aug)/09
 - 1,972K vs 1960K f'cast, 1953K prev
 - Jobless Claims (Aug)/16
 - 235K vs 225K f'cast, 224K prev
 - Philly Fed Business Index (Aug)
 - -0.3 vs 7 f'cast, 15.9 prev
 - Philly Fed Prices Paid (Aug)
 - 66.80 vs -- f'cast, 58.80 prev
 - S&P Manufacturing PMI
 - 53.3 vs 49.5 f'cast, 49.8 prev
 - S&P Services PMI
 - 55.4 vs 54.2 f'cast, 55.7 prev

08:37 AM	MBS are now down only 1 tick (.03) and 10yr yields are close to unchanged at 4.296 after being over 4.315 just before the data.
09:03 AM	10yr yields are back up to 4.312 (up 1.8bps on the day) and MBS are down 3 ticks (.09) on the day.
09:52 AM	Weakest levels after PMI data. MBS down an eighth and 10yr up 3.3bps at 4.328
11:22 AM	MBS down 5 ticks (.16) on the day 10yr yields up 4.5bps on the day at 4.35. Fed's Hammack comments are the driver of the most recent weakness
01:11 PM	Some resilience after strong 30yr TIPS auction (never have we ever seen a 30yr TIPS auction move the market). 10yr up 3.4bps at 4.329 and MBS down 3 ticks (.09).

Lock / Float Considerations

Modest, incidental, summertime drift in bonds without much on the calendar to cause volatility concerns apart from Friday's Powell appearance at Jackson Hole. 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")
 - 0 4.64
 - 0 4.48
 - o 4.40
 - o 4.34
 - 0 4.28
- Floor/Resistance
 - 0 3.99
 - o 4.05
 - o 4.12
 - 0 4.19

MBS & Treasury Markets

103.20

4.350





MBS

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

US Treasuries

10 YR	4.329%	+0.034%
2 YR	3.793%	+0.045%
30 YR	4.921%	+0.025%
5 YR	3.856%	+0.042%

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