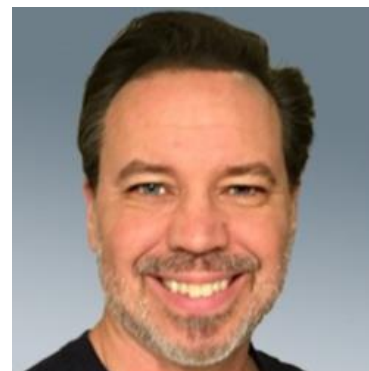


MBS & TREASURY MARKETS

Daily Coverage. Industry Leading Perspective.

MBS Recap: Does "Yield Curve Steepening" Matter?



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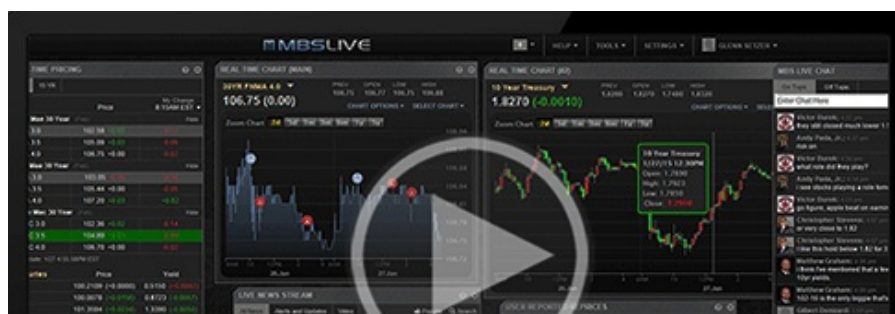
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Modest, Incidental Victory

MBS Recap | Matthew Graham | 5:45 PM

Bonds closed with MBS in line with their best levels of the day, up an eighth of a point. 10yr yields fell just under 1bp to 4.264. 2yr yields did better, shedding just over 4bps and extending their gap vs 10yr yields to the widest levels since the volatile days in early April. The AM news cycle credited the news of Trump firing the Fed's Lisa Cook for this "steepening" (a steeper slope between 2 and 10yr yields). Indeed, it may have contributed, but it's debatable whether this level of movement in the curve actually matters. 2s vs 10s have been holding a tight range since April with few days falling outside a range of 0.45 to 0.57. In the bigger picture, bonds are still counting the hours until next Friday's jobs report.





Watch the Video

MBS Morning

10:30 AM Another Slow Start Despite Underlying Drama

5:25 PM

Econ Data / Events

- ○ Durable Goods
 - -2.8 vs -4.0 f'cast, -9.3 prev
- Core Durable Goods
 - 1.1 vs 0.2 f'cast, -0.7 prev
- CaseShiller 20 mm nsa (Jun)
 - 0.0% vs -- f'cast, 0.4% prev
- FHFA Home Price Index m/m (Jun)
 - -0.2% vs 0% f'cast, -0.2% prev
- FHFA Home Prices y/y (Jun)
 - 2.6% vs -- f'cast, 2.8% prev

Market Movement Recap

- 08:37 AM roughly unchanged overnight and mostly holding in early trading. MBS up 1 tick (.03) and 10yr up less than 1bp at 4.278
- 01:19 PM Strong 2yr auction but bonds were already gaining ground before that. 10yr now down 1.3bps at 4.259. MBS up 3 ticks (.09)
- 05:23 PM Bonds closed with MBS in line with their best levels, up an eighth of a point. 10yr yields fell just under 1bp to 4.264.

Lock / Float Considerations

- The new week is underway with minimal change from last Friday. The calendar is on the lighter side in terms of potential volatility although lighter summertime trading conditions could result in seemingly random movement. The nearness to long-term rate lows means that risk-averse clients are still in lock mode. Risk-tolerant clients didn't see enough weakness to trigger any stop-losses on Monday, but those clients should be aware that odds are we'll be waiting until the early September jobs report before seeing any major rate momentum.

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

10 YR	4.264%	-0.008%
2 YR	3.683%	-0.042%
30 YR	4.922%	+0.034%
5 YR	3.741%	-0.041%

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