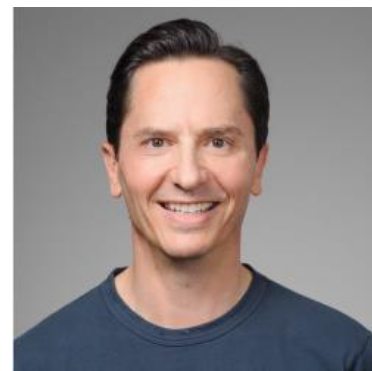


MBS & TREASURY MARKETS

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MBS Recap: Generally Exciting, But Specifically Boring



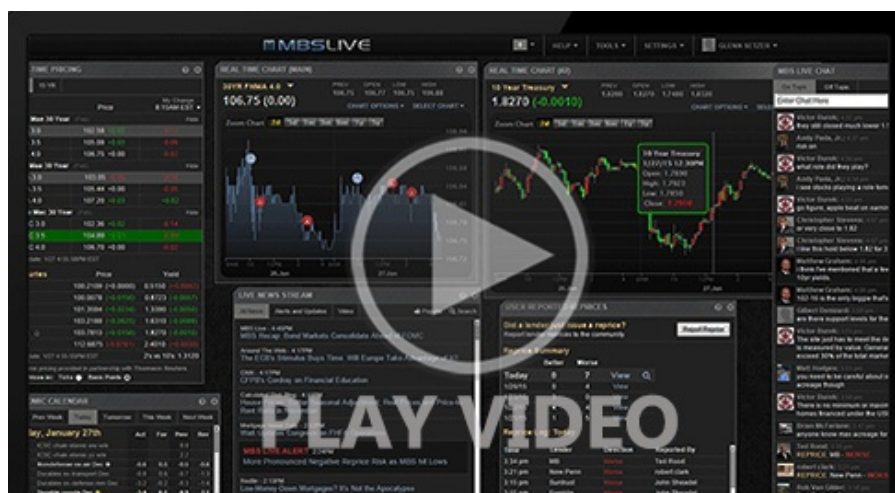
Julian Hebron
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San Francisco CA



Generally Exciting, But Specifically Boring

MBS Recap | Matthew Graham | 4:14 PM

Heading into the present week, it was incredibly unlikely that we'd see any exciting volatility in the bond market this week. At the very least, we knew that it was really only Friday's PCE data that carried any notable volatility potential. With 4 days down, the "boring" narrative has prevailed. Like every other day this week, Thursday saw mild movement and low volatility with very little connection between events and market movement. But as it happens, the mild movements have all been in the same direction this week, and they're starting to add up. To wit: 10yr yields just hit their lowest 3pm CME close since August 4th and the 2nd lowest since April. MBS are doing even better and mortgage rates reflect that.



MBS Morning

9:10 AM Fairly Steady After Glut of Low-Consequence Data

3:31 PM

Econ Data / Events

- ○ Jobless Claims
 - 229.0K vs 230K f'cast, 235K prev
- Continued Claims
 - 1954.0K vs 1970K f'cast, 1972K prev
- Core PCE Prices QoQ FinalQ2
 - 2.5% vs 2.6% f'cast, 3.5% prev
- Corporate profitsQ2
 - 2.0% vs -3.3% prev
- GDPQ2
 - 3.3% vs 3.1% f'cast, -0.5% prev
- GDP deflatorQ2
 - 2.% vs 2% f'cast, 3.8% prev
- GDP Final SalesQ2
 - 6.8% vs 6.3% f'cast, -3.1% prev

Market Movement Recap

- 09:29 AM Flat overnight and little changed since data. MBS down 1 tick (.03) and 10yr up less than half a bp at 4.24
- 12:32 PM Best levels of the day heading into 7yr auction. 10yr down 2.2bps at 4.213. MBS up 1 tick (.03).
- 03:37 PM Mostly flat in PM hours. MBS still up 1 tick (.03) and 10yr down 2.2bps at 4.213

Lock / Float Considerations

- With rates hitting 10-month lows three times this week, risk-averse clients are still in lock mode. Risk-tolerant clients have enjoyed a very narrow rate range in August, but they should be aware that odds are we'll be waiting until the early September jobs report before seeing any major rate momentum, for better or worse.

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	4.204%	-0.031%
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10 YR	4.201%	-0.001%
2 YR	3.632%	+0.020%
30 YR	4.874%	-0.048%
5 YR	3.693%	-0.014%

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