

# MBS & TREASURY MARKETS

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## MBS Recap: Calm Day to End A Calm Week



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## Calm Day to End A Calm Week

MBS Recap | Matthew Graham | 4:20 PM

While Friday itself may not have resulted in a rally for the broader bond market, it was nonetheless just as calm as any other day this week in terms of volatility. That's a bit more impressive considering it was the only day with big-ticket econ data. Overall, the week was marked by slow, steady gains for no particular reason. With that, the entirety of August, post-jobs-report did exactly what it was supposed to do. Specifically, it held a narrow enough range to avoid challenging the range set by the last jobs report day. The upcoming week--while shorter than normal due to the Labor Day holiday--is infinitely more capable of producing bond market volatility. Even the supporting actors are arguably heavy hitters in terms of econ data. Friday's jobs report speaks for itself. Bottom line: additional labor market weakness could easily help bonds break new ground at lower yields while unexpected resilience could firmly reinforce recent floors.





Watch the Video

## Update

8:33 AM PCE Right In Line With Expectations

## MBS Morning

11:43 AM PCE Inflation Offers No Surprises

3:05 PM

## Econ Data / Events

- ○ Core PCE (m/m) (Jul)
  - 0.3% vs 0.3% f'cast, 0.3% prev
- Core PCE Inflation (y/y) (Jul)
  - 2.9% vs 2.9% f'cast, 2.8% prev
- Inflation-Adjusted Spending (Consumption) (Jul)
  - 0.5% vs 0.5% f'cast, 0.3% prev
- Personal Income (Jul)
  - 0.4% vs 0.4% f'cast, 0.3% prev
- Wholesale inventories mm (Jul)
  - 0.2% vs 0.2% f'cast, 0.1% prev
- Chicago PMI (Aug)
  - 41.5 vs 46 f'cast, 47.1 prev
- Consumer Sentiment (Aug)
  - 58.2 vs 58.6 f'cast, 61.7 prev
- Sentiment: 1y Inflation (Aug)
  - 4.8% vs 4.9% f'cast, 4.5% prev
- Sentiment: 5y Inflation (Aug)
  - 3.5% vs 3.9% f'cast, 3.4% prev

## Market Movement Recap

- 08:34 AM Minimal movement after PCE data. MBS are down 2 ticks (.06) and 10yr yields are up 1.4bps at 4.22.
- 01:03 PM Slightly stronger heading into PM. MBS down only 1 tick (.03) and 10yr up 1.9bps at 4.224

## Lock / Float Considerations

- With rates hitting 10-month lows 4 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 the coming week is all but guaranteed to see a much wider range, 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



