

MBS & TREASURY MARKETS

Daily Coverage. Industry Leading Perspective.

MBS Recap: Calm Day to End A Calm Week



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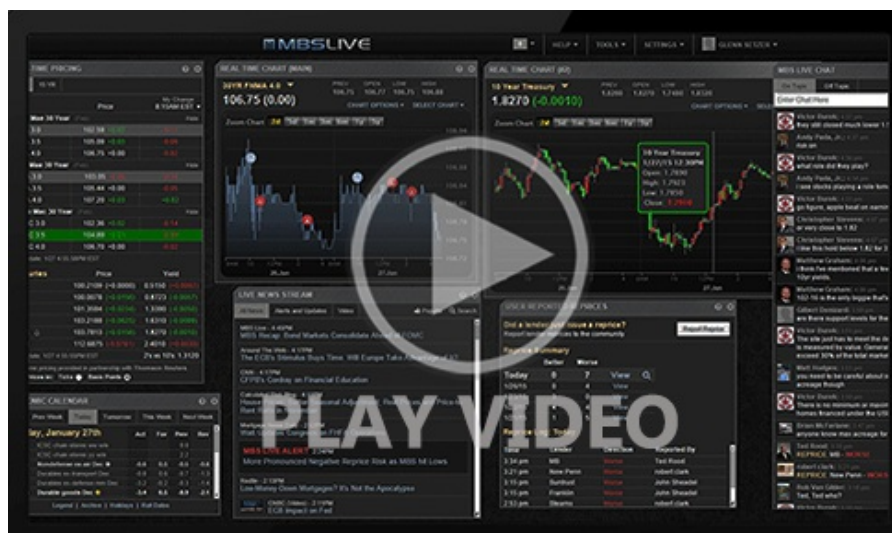


Calm Day to End A Calm Week

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

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
- o Core PCE Inflation (y/y) (Jul)
 - 2.9% vs 2.9% f'cast, 2.8% prev
- o Inflation-Adjusted Spending (Consumption) (Jul)
 - 0.5% vs 0.5% f'cast, 0.3% prev
- o Personal Income (Jul)
 - 0.4% vs 0.4% f'cast, 0.3% prev
- o Wholesale inventories mm (Jul)
 - 0.2% vs 0.2% f'cast, 0.1% prev
- o 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")
 - 4.64
 - 4.48
 - 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	4.229%	+0.024%
2 YR	3.619%	-0.010%
30 YR	4.926%	+0.051%
5 YR	3.696%	+0.007%

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