

MBS & TREASURY MARKETS

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MBS Recap: Still in The Range as Bonds Wait For Bigger Influences



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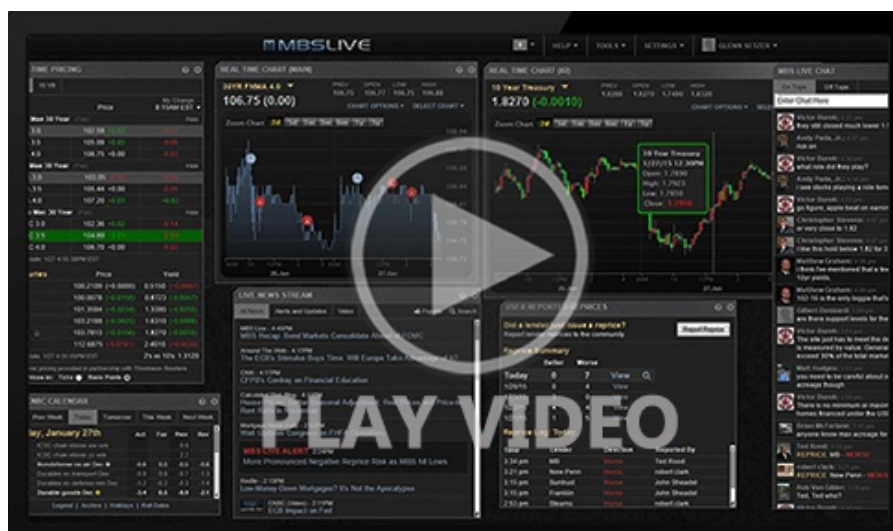


Still in The Range as Bonds Wait For Bigger Influences

MBS Recap Matthew Graham | 4:33 PM

Bonds were noticeably weaker to start the new month with most of the losses arriving after the start of European trading overnight. Indeed there was strong correlation between EU sovereign debt and Treasuries--especially at the EU opening bell. Some news stories suggested bonds were selling off due to news that an appeals court ruling that Trump tariffs were illegal, but that news was out on Friday night. If it were a compelling bond market motivation, it would have been more visible in the overnight trading that took place before the EU open. Either way, yields remained well within the prevailing range and it continues to be this week's big ticket open data that has the best chance of challenging that range for

continues to be this week's big-ticket econ data that has the best chance of challenging that range for better or worse.



Watch the Video

MBS Morning

10:31 AM Bonds Dealing With Holiday Hangover Despite Friendly Data

4:20 PM

Econ Data / Events

- ○ S&P Global Manuf. PMI (Aug)
 - 53.0 vs 53.3 f'cast, 49.8 prev
- Construction spending (Jul)
 - -0.1% vs -0.1% f'cast, -0.4% prev
- ISM Manufacturing Employment (Aug)
 - 43.8 vs -- f'cast, 43.4 prev
- ISM Manufacturing PMI (Aug)
 - 48.7 vs 49 f'cast, 48.0 prev
- ISM Mfg Prices Paid (Aug)
 - 63.7 vs 65.3 f'cast, 64.8 prev

Market Movement Recap

10:20 AM sharply weaker overnight. Some traction even before the ISM data, but a bit more now. 10yr still

up 3.4bps at 4.263 but down from highs just over 4.30% earlier. MBS down only an eighth after starting out down a quarter point.

12:03 PM 10yr up 5bps at 4.279. MBS down 6 ticks (.19)

03:07 PM Flat in the PM. MBS down 6 ticks (.19) and 10yr up 5.2bps at 4.282

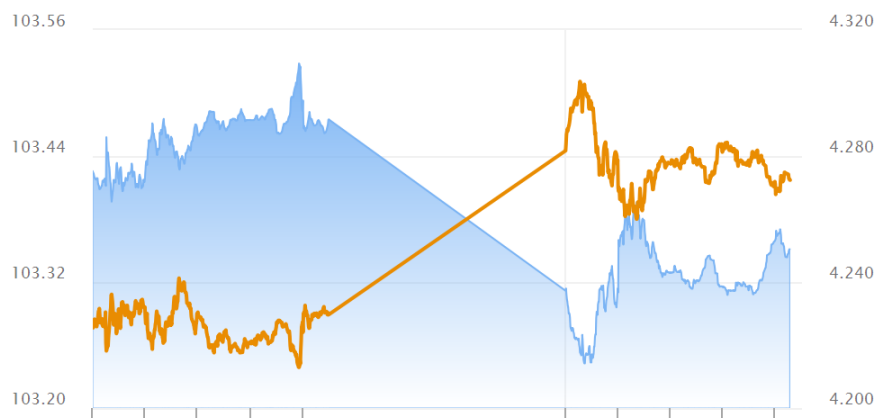
Lock / Float Considerations

- Rates reinforced the prevailing trading range with a moderate sell-off to start the new week. Had this move been a rally instead, it would have been more interesting from a lock/float strategy standpoint. As it stands, we're in the same position as last week: waiting for a convincing breakout attempt in either direction. The only difference this week is that a breakout is much more possible due to high profile economic data culminating in Friday's big jobs report.

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



29.Aug

2.Sep

■ 30YR UMBS 5.5 3 Month

■ 10 Year Treasury

MBS

30YR UMBS 5.5

30YR UMBS 6.0

30YR GNMA 5.5

15YR UMBS-15 5.0

US Treasuries

10 YR	4.272%	+0.043%
2 YR	3.645%	+0.029%
30 YR	4.970%	+0.043%
5 YR	3.734%	+0.038%

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