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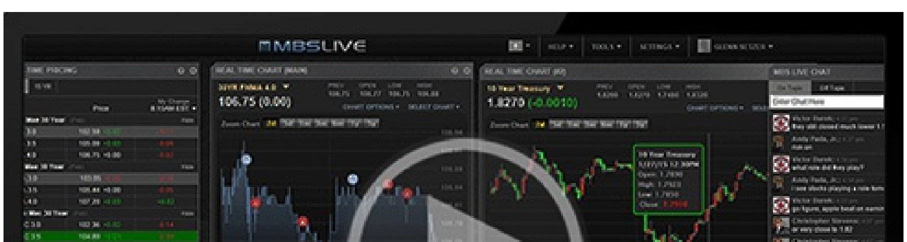
MBS Recap: Very Calm Reaction But Not Too Surprising

Very Calm Reaction But Not Too Surprising

MBS Recap Matthew Graham | 4:23 PM

One could argue that CPI is the next biggest potential market mover after the jobs report. With that in mind, it might seem surprising that MBS are heading out the door roughly unchanged and 10yr yields are down less than 3bps. It becomes less surprising when we consider inflation was mostly in line with expectations. Elevated unrounded core numbers were offset by decent drop in supercore (services excluding energy and shelter). When it comes to this morning's initial rally, we'd give more credit to supercore than we would to the pop in Jobless Claims, but both probably played a role. Either way, all today's CPI really needed to do was stay out of the way of rate cut signals in the last jobs report, and it generally did.



Watch the Video

Update

8:37 AM Core CPI Slightly Hotter, But Claims May Be Helping

MBS Morning

12:10 PM Slightly Stronger Start Despite Slightly Higher Inflation

4:02 PM

Alert

4:12 PM MBS Down an Eighth From Mid-AM Highs

Econ Data / Events

- Continued Claims (Aug)/30
  - 1,939K vs 1950K f'cast, 1940K prev

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- Jobless Claims (Sep)/06
  - 263K vs 235K f'cast, 237K prev

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- m/m CORE CPI (Aug)
  - 0.3% vs 0.3% f'cast, 0.3% prev

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  - 0.3% vs 0.3% f'cast, 0.3% prev

- m/m Headline CPI (Aug)
  - 0.4% vs 0.3% f'cast, 0.2% prev

- m/m Headline CPI (Aug)
  - 0.4% vs 0.3% f'cast, 0.2% prev

- y/y CORE CPI (Aug)

        - 3.1% vs 3.1% f'cast, 3.1% prev

    - y/y CORE CPI (Aug)
        - 3.1% vs 3.1% f'cast, 3.1% prev

    - y/y Headline CPI (Aug)
        - 2.9% vs 2.9% f'cast, 2.7% prev

    - y/y Headline CPI (Aug)
        - 2.9% vs 2.9% f'cast, 2.7% prev

Market Movement Recap

08:46 AM Initially stronger after data, but pulling back a bit. MBS roughly unchanged and 10yr down 1.7bps at 4.032

02:03 PM Holding modest gains. MBS up 2 ticks (.06) and 10yr down 3.2bps at 4.017

04:05 PM Fairly flat, but near weaker levels of the past few hours. MBS up only 1 tick (.03) and 10yr down 2.9bps at 4.02

Lock / Float Considerations

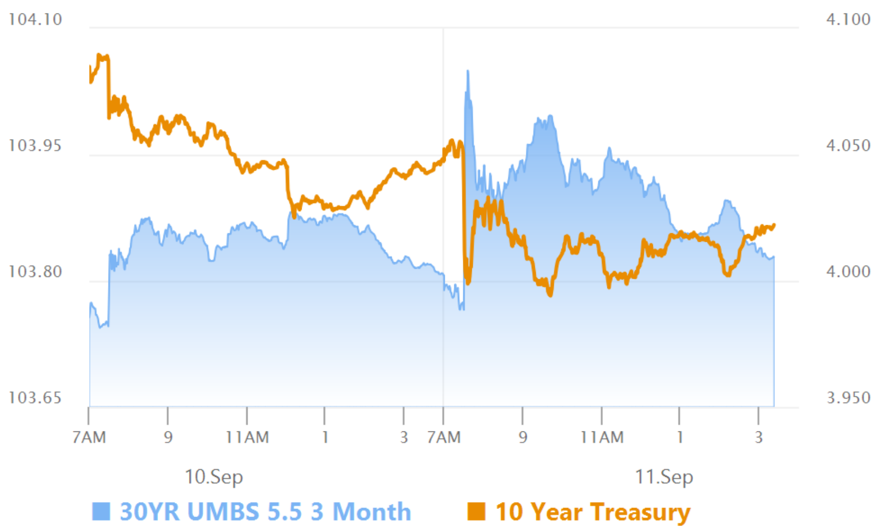
- With CPI out of the way and bonds none the worse for the wear, focus immediately shifts to the upcoming Fed meeting next Wednesday. Nothing between now and then comes close in terms of potential impact.

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	4.023%	-0.026%
2 YR	3.540%	-0.001%
30 YR	4.655%	-0.042%
5 YR	3.595%	-0.002%

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