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MBS Recap: Incidental, Inconsequential Weakness Ahead of Fed Week

Incidental, Inconsequential Weakness Ahead of Fed Week

MBS Recap Matthew Graham | 3:42 PM

Bonds began the day in modestly weaker territory and yields are heading out right where they started. In fact, yields are also right in line with the opening levels from Monday. This broadly suggests the market got where it was going after the jobs report and is now waiting for the next big shoe to drop. The other way to view this entire week is as an opportunity to book profits and cover shorts on the recent "steepening" trade (which favored buying 2s over 10s). Indeed, 2yr yields mostly sold off this week relative to 10s and today was the only real exception. Either way, there was no concrete cause and effect in the news or econ calendar, so chalk it up to "position squaring ahead of next week's Fed day."

Watch the Video

MBS Morning

11:11 AM Back in The Range After Failed Breakout Attempt

3:31 PM

Econon Data / Events

- Consumer Sentiment
  - 55.4 vs 58.0 f'cast, 58.2 prev
- 1yr inflation expectations
  - unchanged
- 5yr inflation expectations
  - 3.9 vs 3.5 previously

Market Movement Recap

10:41 AM moderately weaker overnight and holding mostly sideways so far. MBS roughly unchanged and 10yr up 3.8bps at 4.063

02:18 PM Holding sideways all day. MBS up 1 tick (.03) and 10yr up 3.9bps at 4.065

03:41 PM Heading out with 10s up 3.3bps at 4.059 and MBS still up 1 tick (.03).

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	4.060%	+0.034%
2 YR	3.558%	+0.014%
30 YR	4.678%	+0.019%
5 YR	3.627%	+0.024%

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