

MBS & TREASURY MARKETS

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MBS Recap: Will September Deja Vu Continue?



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Will September Deja Vu Continue?

MBS Recap | Matthew Graham | 4:32 PM

Rates rallied hard into last September 2024's Fed rate cut and then bounced relentlessly higher. With average rates up about a quarter point since Tuesday, the parallels are certainly there. But Last year's spike didn't happen so abruptly on Fed day and the day after. It required upbeat econ data to send rates screaming higher. In today's case, we had two separate upbeat reports. This was barely worth an eighth of a point of weakness in MBS and not even 3bps of weakness in 10yr yields, but on average, lenders are feeling defensive (when MBS prices were at the same levels 2 weeks ago, rates were almost 10bps lower). The good news is this: the deja vu is both coincidental and driven by objective developments. It's not on a pre-set course and it won't continue if incoming economic data is weak. The bad news is that if the incoming data is surprisingly strong, well... you know.





Watch the Video

MBS Morning

9:28 AM Losing Ground After Stronger Econ Data

Alert

9:44 AM An Alert, But Not Exactly a "Reprice" Alert

4:08 PM

Econ Data / Events

- ○ Continued Claims (Sep)/06
 - 1,920K vs 1950K f'cast, 1939K prev
- Jobless Claims (Sep)/13
 - 231K vs 240K f'cast, 263K prev
- Philly Fed Business Index (Sep)
 - 23.2 vs 2.3 f'cast, -0.3 prev
- Philly Fed Prices Paid (Sep)
 - 46.80 vs -- f'cast, 66.80 prev

Market Movement Recap

- 08:23 AM MBS up an eighth and 10yr down 1.6bps at 4.064
- 08:37 AM Slightly weaker after data. MBS still up 1 tick (.03) and 10yr up 0.1bps at 4.081
- 09:39 AM Losses continue. MBS down 6 ticks and 10yr up 4.9bps at 4.129
- 12:27 PM sideways after early losses. MBS down 3 ticks (.09) and 10yr up 3bps at 4.111
- 03:17 PM MBS down 1 tick (.03) and 10yr up 1bp at 4.115

Lock / Float Considerations

- Most clients are lock-biased until the post-Fed selling momentum meets clear resistance. The most risk-tolerant clients will have noted that bonds started Thursday in stronger territory and only sold-off after econ data. This speaks to the possibility that further selling isn't necessarily a given without further justification.

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



MBS

30YR UMBS 5.0

30YR UMBS 5.5

30YR UMBS 5.5
30YR GNMA 5.0
15YR UMBS-15 5.0

US Treasuries

10 YR	4.109%	+0.028%
2 YR	3.571%	+0.007%
30 YR	4.721%	+0.034%
5 YR	3.669%	+0.013%

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