MBS Recap: Modestly Stronger After No Whammies From Powell

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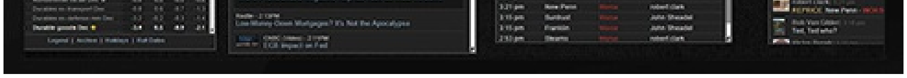
Modestly Stronger After No Whammies From Powell

MBS Recap Matthew Graham | 4:15 PM

Last week's press conference with Fed Chair Powell could be summed up as "more hawkish than the market expected." After being compounded by strong econ data on Thursday morning, the selling spree ran its course and we've been mostly sideways over the past 3 days. Today ended up being the best version of sideways with yields almost making it back to Thursday's closing levels. Most of the move happened after Powell finished a Q&A this afternoon. This suggests traders were relieved that he didn't reinforce the hawkish talking points from last week. All told, it wasn't a big move, but it was a friendly one nonetheless.



Watch the Video

MBS Morning

11:03 AM Which Powell Will We Get Today?

3:42 PM

Econon Data / Events

- S&P Global Composite PMI (Sep)
  - 53.6 vs 54.6 f'cast, 55.1 prev
- S&P Global Manuf. PMI (Sep)
  - 52 vs 52 f'cast, 53.0 prev
- S&P Global Services PMI (Sep)
  - 53.9 vs 54 f'cast, 54.5 prev

Market Movement Recap

09:56 AM	Modestly stronger overnight. No major reaction to PMI data. MBS up 2 ticks (.06) and 10yr down 1.2 bps at 4.138
12:53 PM	MBS unchanged and 10yr down 1.2bps at 4.137
01:47 PM	Making some gains after Powell Q&A. MBS up an eighth of a point and 10yr down 3.6bps at 4.112
03:52 PM	heading out near best levels. MBS up 5 ticks (.16) and 10yr down 4bps at 4.109

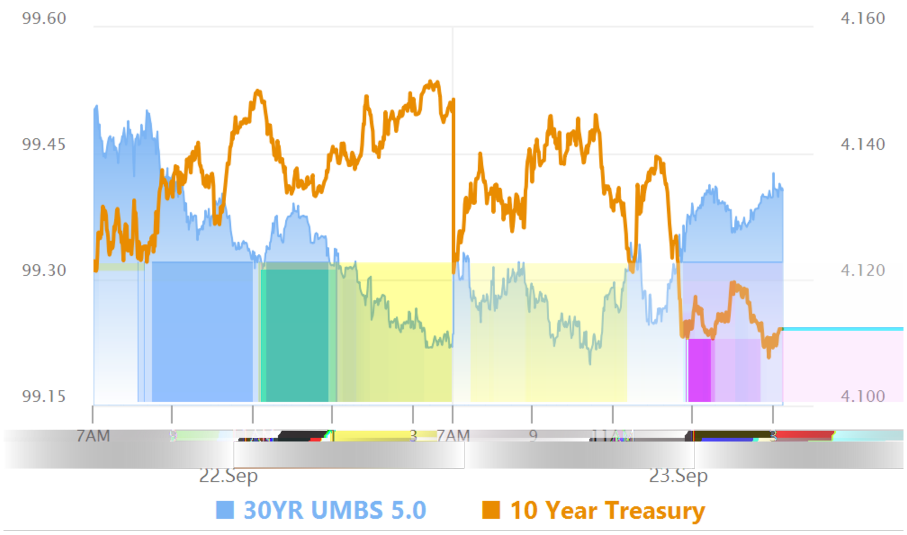
Lock / Float Considerations

- Tuesday's session brought the best evidence yet that last week's post-Fed selling had run its course by Thursday afternoon. This brings risk/reward back to lower, more balanced levels.

Technicals/Trends in 10yr (**why 10yr**)

- Ceiling/Support (can be used as "lock triggers")
  - 4.48
  - 4.40
  - 4.34
  - 4.28
  - 4.19
- Floor/Resistance
  - 3.89
  - 3.99
  - 4.05
  - 4.12

MBS & Treasury Markets



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

US Treasuries		
10 YR	4.112%	-0.037%
2 YR	3.590%	-0.010%
30 YR	4.727%	-0.038%
5 YR	3.673%	-0.031%

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