

MBS & TREASURY MARKETS

Daily Coverage. Industry Leading Perspective.

MBS Recap: Weaker Thanks to 2 Kinds of "Supply"



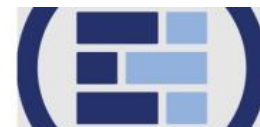
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Weaker Thanks to 2 Kinds of "Supply"

MBS Recap Matthew Graham | 4:05 PM

At its core, the bond market is like any other financial market, and securities are like almost any other commodity/good/service when it comes to the laws of supply and demand. That means we can reconcile today's weakness in bonds by talking about factors that may have decreased demand or increased supply. The latter is the easier discussion today. We're in the middle of this week's Treasury auction cycle, and

although that supply was well known ahead of time, it can nonetheless tap the brakes on demand from certain buyers who will wait to buy until the auction or afterward. The other supply was not well known ahead of time. It came in the form of a \$15bln this primer.



Watch the Video

MBS Morning

11:33 AM Quieter Calendar Leaves Focus on 5yr Auction

Alert

2:36 PM Down an Eighth From AM Highs

3:50 PM

Econ Data / Events

- ○ New Home Sales (Aug)
 - 0.8M vs 0.65M f'cast, 0.652M prev

Market Movement Recap

- 10:31 AM Moderately weaker overnight and holding mostly sideways. MBS down an eighth and 10yr up 2.6bps at 4.129
- 12:48 PM Little-changed near weaker levels. MBS down 5 ticks (.16) and 10yr up 3.5bps at 4.138
- 01:16 PM No major reaction to 5yr auction. MBS down an eighth and 10yr up 3.7bps at 4.14

Lock / Float Considerations

- Despite some ups and downs in the bond market this week, mortgage rates have been drifting broadly sideways in a range that's still centered on last Thursday's levels. The absence of any improvement since then would leave risk-averse clients in a lock-biased stance while risk-tolerant clients would be taking heart in the absence of any new, significant weakness.

Technicals/Trends in 10yr (why 10yr)

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

MBS & Treasury Markets



MBS

30YR UMBS 5.0
30YR UMBS 5.5
30YR GNMA 5.0

US Treasuries

10 YR	4.147%	+0.044%
2 YR	3.603%	+0.017%
30 YR	4.753%	+0.036%
5 YR	3.716%	+0.051%

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