

# MBS & TREASURY MARKETS

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## MBS Recap: Reasonably Resilient After AM Losses



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## Reasonably Resilient After AM Losses

MBS Recap | Matthew Graham | 3:50 PM

In another straightforward trading session, bonds responded logically to a trio of upbeat economic reports in the morning slot. None of the data was top tier in terms of relevance to bonds, but it was relevant enough to move the needle. Refreshingly though, 10yr yields treated 4.19% as a support level, which was the lowest possible pivot point after rising above 4.15%. This doesn't guarantee it will continue to hold, but it does suggest the bond market isn't in a rush to sell off without justification.





Watch the Video

## Update

8:34 AM Losing Ground After Stronger Data

## MBS Morning

10:54 AM Stronger Data Hurting Bonds

3:26 PM

## Econ Data / Events

- ○ Continued Claims (Sep)/13
  - 1,926K vs 1930K f'cast, 1920K prev
- Core CapEx (Aug)
  - 0.6% vs -0.1% f'cast, 1.1% prev
- Core PCE Prices QoQ FinalQ2
  - 2.60% vs 2.5% f'cast, 3.5% prev
- Durable goods (Aug)
  - 2.9% vs -0.5% f'cast, -2.8% prev
- GDPQ2
  - 3.8% vs 3.3% f'cast, -0.5% prev
- GDP deflatorQ2
  - 2.1% vs 2% f'cast, 3.8% prev
- GDP Final SalesQ2
  - 7.5% vs 6.8% f'cast, -3.1% prev
- Jobless Claims (Sep)/20
  - 218K vs 235K f'cast, 231K prev

## Market Movement Recap

00:11 AM

08:41 AM Sideways to slightly weaker overnight with additional selling after data. MBS down 6 ticks (.19) and 10yr up 3.7bps at 4.186

11:50 AM Near weaker levels. MBS down 7 ticks (.22) and 10yr up 4.5bps at 4.194

01:08 PM No reaction to 7yr auction. MBS down 5 ticks (.16) and 10yr up 2.9bps at 4.178

03:21 PM Still mostly sideways. MBS down 5 ticks (.16) and 10yr up 2.1bps at 4.17

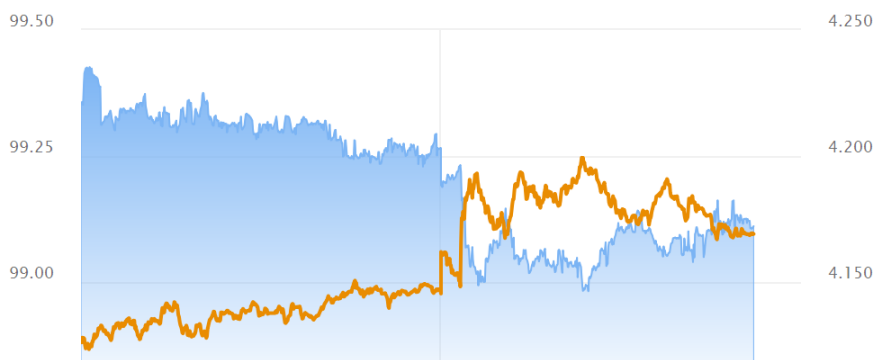
## Lock / Float Considerations

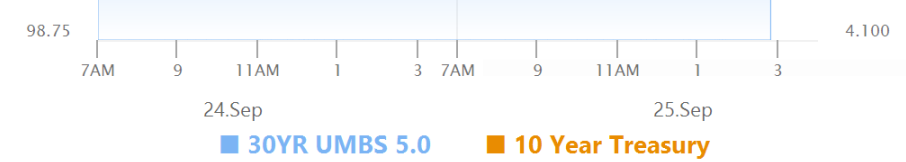
- Thursday's stronger economic data and the bond market's willingness to react (albeit in a fairly measured way) reinforces the current state of play for rates. Simply put: weak data is required in order to see a reinvigoration of the rally. The other takeaway is that volatility risks are higher on data-heavy days.

## 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

15YR UMBS-15 5.0

## US Treasuries

|       |        |         |
|-------|--------|---------|
| 10 YR | 4.169% | +0.020% |
| 2 YR  | 3.659% | +0.055% |
| 30 YR | 4.749% | -0.003% |
| 5 YR  | 3.762% | +0.046% |

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