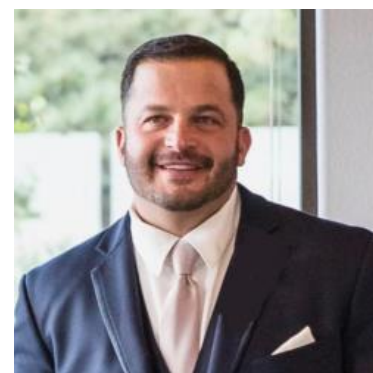


MBS & TREASURY MARKETS

Daily Coverage. Industry Leading Perspective.

MBS Recap: Gains Erased by Month/Quarter-End Trading



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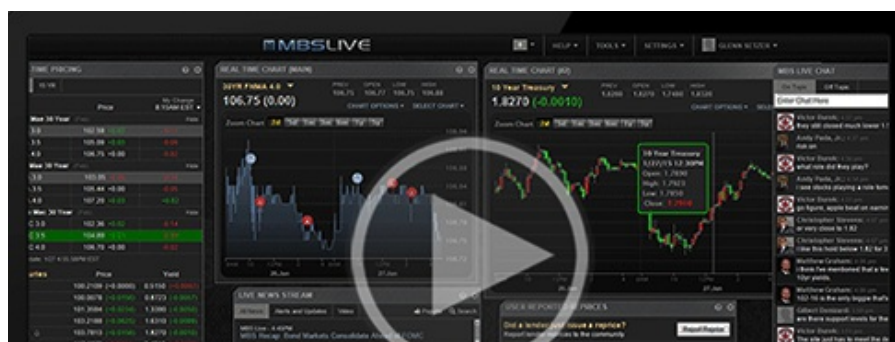
Colorado NMLS #2064421



Gains Erased by Month/Quarter-End Trading

MBS Recap | Matthew Graham | 4:11 PM

If it's the last day of a month and especially if it's also the last day of the quarter, and if bonds are making a move in the second half of the day for no other apparent reason, the default scapegoat is month/quarter-end positioning. Month-end trading can take a variety of forms ranging from broad asset-allocation trades between stocks and bonds to specific buying/selling of Treasuries to achieve various portfolio goals. This can be as simple as certain accounts no longer needing to hold as many Treasuries after the 3pm marking period. Either way, the selling wasn't extreme, by any means, but it was enough to erase the gains facilitated by this morning's weaker econ data.





Watch the Video

MBS Morning

11:25 AM Stronger Start on Downbeat Data

Alert

2:03 PM MBS Down an Eighth From AM Highs

Alert

3:26 PM Negative Reprice Risk Increasing

3:40 PM

Econ Data / Events

- ○ Case Shiller Home Prices-20 y/y (Jul)
 - 1.8% vs 1.6% f'cast, 2.1% prev
- CaseShiller 20 mm nsa (Jul)
 - -0.3% vs -- f'cast, 0.0% prev
- FHFA Home Price Index m/m (Jul)
 - -0.1% vs 0.1% f'cast, -0.2% prev
- FHFA Home Prices y/y (Jul)
 - 2.3% vs -- f'cast, 2.6% prev
- Chicago PMI (Sep)
 - 40.6 vs 43 f'cast, 41.5 prev
- CB Consumer Confidence (Sep)
 - 94.2 vs 96 f'cast, 97.4 prev
- JOLTs Job Quits (Aug) (lower = better for rates)
 - 3.091M vs -- f'cast, 3.208M prev
- Job Openings (Aug) (lower=better for rates)
 - 7.227M vs 7.2M f'cast, 7.181M prev

Market Movement Recap

- 10:42 AM Modestly stronger overnight and some additional buying after data. MBS up 3 ticks (.09) and 10yr down 2.7bps at 4.112
- 11:45 AM giving up some gains now. MBS up 1 tick (.03) on the day and 10yr nearly unchanged at 4.139
- 02:00 PM weakest levels of the day for MBS, now unchanged and down an eighth from highs. 10yr down half a bp at 4.134
- 03:26 PM new lows for MBS, down 6 ticks (.19) from the highs and 2 ticks (.06) on the day. 10yr yields are up 1bp at 4.149

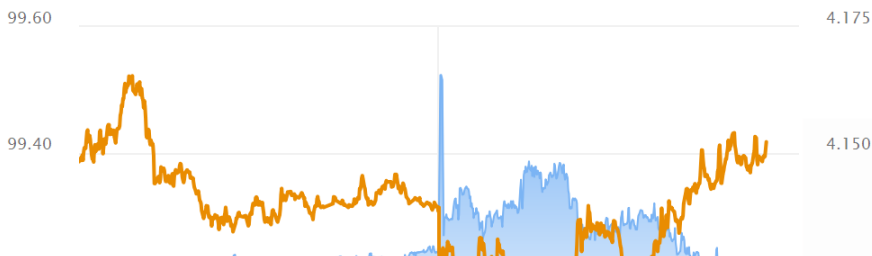
Lock / Float Considerations

- Bonds are starting the new week without much conviction. The tone of the data should guide the next major move. Risk/reward will increase sharply on Thursday night if a stop-gap bill is in place that allows for the release of the jobs report on Friday.

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 | 4.153% | +0.013% |
| 2 YR | 3.615% | -0.012% |
| 30 YR | 4.733% | +0.027% |
| 5 YR | 3.743% | +0.008% |

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