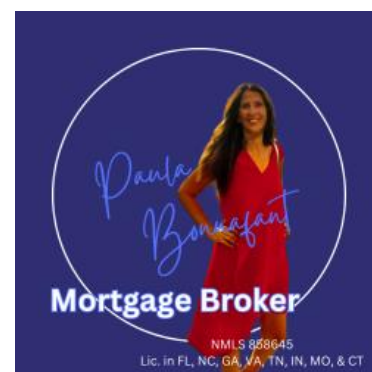


MBS & TREASURY MARKETS

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MBS Recap: Best Closing Levels in More Than a Week, But Still Generally Flat



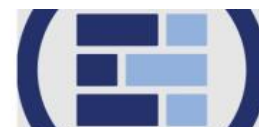
Paula Bonnafant

Mortgage Broker, Edge Home Finance

paulabonnafantteam.com

M: (239) 689-1331

Corporate address:
Minnetonka MN 55345
NMLS858645



Best Closing Levels in More Than a Week, But Still Generally Flat

MBS Recap | Matthew Graham | 3:52 PM

Short version: bonds have been basically flat ever since the 2-day sell-off 2 weeks ago that followed Fed Day and stronger econ data on Thursday the 18th.

Slightly longer version: Bonds were unchanged at the open after closing at higher levels yesterday. ADP came out much weaker than expected, prompting a rally that was immediate, but appropriately sized for ADP (i.e. nowhere near as big as it would have been for NFP). ISM Manufacturing was in line with expectations, which was good enough to end the bond rally for the day. Yields retraced half the ADP-inspired gains by noon, but rallied modestly in the PM hours to end the day at the lowest levels since last Tuesday.





Watch the Video

MBS Morning

8:32 AM Stronger Start After ADP Comes in Much Weaker

3:26 PM

Econ Data / Events

- ○ ADP Employment
 - -32k vs 50k f'cast
 - last month revised from 54k to -3k
- ISM Manufacturing Employment (Sep)
 - 45.3 vs -- f'cast, 43.8 prev
- ISM Manufacturing PMI (Sep)
 - 49.1 vs 49 f'cast, 48.7 prev
- ISM Mfg Prices Paid (Sep)
 - 61.9 vs 63.2 f'cast, 63.7 prev

Market Movement Recap

- 08:37 AM Stronger after ADP data. MBS up 5 ticks (.16) and 10yr down 3.9bps at 4.109
- 10:16 AM Minimal reaction to ISM data, but off the best levels. 10yr down 3.5bps at 4.113 (up from 4.09 lows). MBS still up 5 ticks (.16) but down 3 ticks (.09) from highs.
- 01:23 PM Back near best levels in MBS, up a quarter point on the day. 10yr down 3.6bps at 4.113

Lock / Float Considerations

- With the shutdown now confirmed, markets are not expecting to see Friday's jobs report this week. This makes for lower potential volatility heading into Friday, but it may result in ISM services hitting slightly harder than normal. Based on Wednesday's ADP reaction, it is already clear that markets are not simply replacing NFP trades with other data.

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	4.105%	-0.044%
2 YR	3.542%	-0.065%
30 YR	4.714%	-0.014%
5 YR	3.679%	-0.062%

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