

MBS & TREASURY MARKETS

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MBS Recap: Ultra Quiet Session, But Ultimately Stronger



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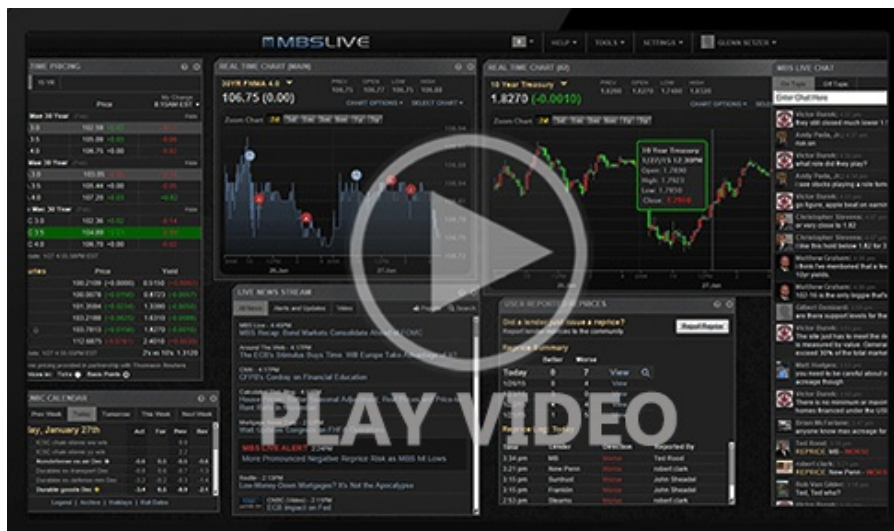


Ultra Quiet Session, But Ultimately Stronger

MBS Recap | Matthew Graham | 4:02 PM

With the day's only relevant econ data on hold due to the shutdown, bonds didn't have any objective inspiration. Add the Yom Kippur holiday as well as the absence of tomorrow's jobs report, and there suddenly seems to be no compelling reason for the bond market to be open for the rest of the week. This was reflected in volume and AM volatility--both were muted. There was modest movement in the afternoon with trading levels moving into slightly stronger territory. This could be viewed as an incidental byproduct of the shift in buyers/sellers after the European close, or an intentional front-running of what bond bulls hope is a weaker ISM report tomorrow. It doesn't really matter either way. Bigger, more durable moves are on hold until the jobs report comes out.

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Watch the Video

MBS Morning

9:45 AM Data-Free, Thanks to Shutdown

3:29 PM

Market Movement Recap

- 09:23 AM Flat overnight with modest selling early. MBS down 2 ticks (.06) and 10yr up 1.4bps at 4.113
- 12:08 PM Sideway to stronger in MBS, now unchanged on the day. 10yr near best levels, up less than half a bp at 4.102
- 01:57 PM best levels of the day. MBS up 3 ticks (.09) and 10yr down 1.2bps at 4.087

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	4.088%	-0.011%
2 YR	3.545%	+0.016%
30 YR	4.695%	-0.012%
5 YR	3.673%	+0.004%

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