MBS & TREASURY MARKETS
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MBS Recap: Weaker Day, Stronger Week

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Weaker Day, Stronger Week

MBS Recap Matthew Graham | 4:59 PM

Friday ended up seeing the bond market give up some ground with most of the weakness following the ISM Services data. The headline wasn't the culprit. Rather, resilience in the employment index and persistence in the price index did the damage. Even then, the damage was minimal in the bigger picture and not sufficient to derail what ended up being a stronger week overall.

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Watch the Video

MBS Morning

10:12 AM Slightly Weaker After Mixed ISM Data

Alert

10:38 AM MBS Down More Than an Eighth

Alert

3:34 PM Weakest Levels of The Day

4:02 PM

Econ Data / Events

- ISM Biz Activity (Sep)
  - 49.9 vs 51.8 f'cast, 55 prev
- ISM N-Mfg PMI (Sep)
  - 50.0 vs 51.7 f'cast, 52.0 prev
- ISM Services Employment (Sep)
  - 47.2 vs -- f'cast, 46.5 prev
- ISM Services New Orders (Sep)
  - 50.4 vs -- f'cast, 56.0 prev
- ISM Services Prices (Sep)
  - 69.4 vs -- f'cast, 69.2 prev

Market Movement Recap

10:01 AM No major reaction to ISM data. MBS down 2 ticks (.06) and 10yr up 1.9bps at 4.101

12:03 PM Off the weakest levels. MBS down 2 ticks (.06) after being down more than an eighth earlier. 10yr up 2.8bps at 4.109 after hitting 4.117 earlier.

03:34 PM Weakest levels of the day. 10yr yields up 3.8bps at 4.12 and MBS down 6 ticks (.19) on the day.

Lock / Float Considerations

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- Risk/reward surround the lock/float decision remains muted during the government shutdown. In terms of trends and outright levels, the modest rally to the lowest rates in more than 2 weeks presents a compelling lock opportunity for risk-averse clients. The risk tolerant crowd is still waiting to see when the jobs report comes out (as long as bonds don't lose too much ground between now and then).

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
  - 4.48
  - 4.40
  - 4.34
  - 4.28
  - 4.19

- Floor/Resistance
  - 3.89
  - 3.99
  - 4.05
  - 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	4.121%	+0.039%

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2 YR	3.578%	+0.042%
30 YR	4.714%	+0.027%
5 YR	3.716%	+0.046%

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