

MBS & TREASURY MARKETS

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MBS Recap: Incidental Weakness But No Big Picture Change



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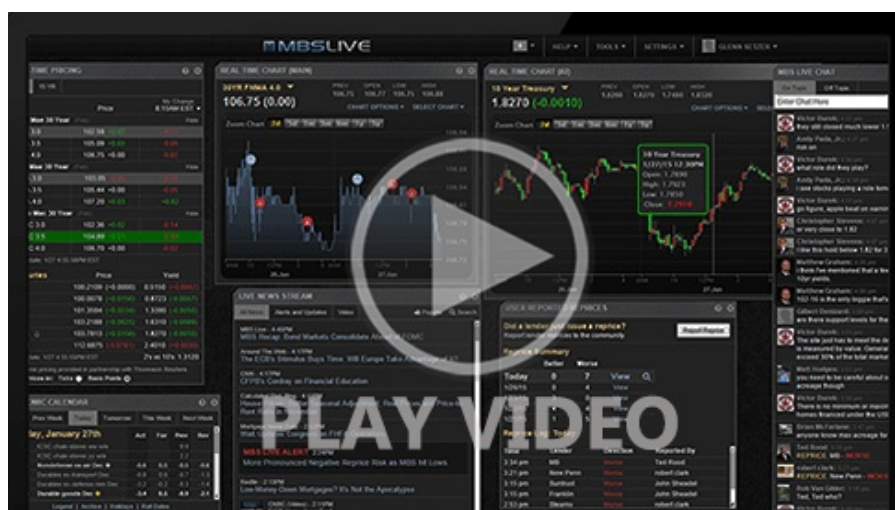
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Incidental Weakness But No Big Picture Change

MBS Recap | Matthew Graham | 4:39 PM

There were no economic reports on tap today and no obvious market moving headlines during the domestic session. The lighter volume and **liquidity** made the bond market more susceptible to random sources of inspiration in the overnight session. Political developments in Japan were thus able to have a larger impact than normal and, in this case, that impact was unfavorable for bonds. That said, the selling was ultimately moderate. Larger scale momentum requires an end to the shutdown (thus allowing things like the jobs report to be published).



MBS Morning

8:57 AM Overnight Losses Thanks to Overseas Markets

Alert

3:04 PM Weakest levels of the day

4:32 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

- 10:51 AM weaker overnight with a modest recovery early. MBS down 1 tick (.03) and 10yr up 2.6bps at 4.143
- 03:03 PM Gradually weaker and now at the weakest levels of the day. MBS down 6 ticks (.19) and 10yr up 4.6bps at 4.164

Lock / Float Considerations

- 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")
 - 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	4.159%	+0.042%
2 YR	3.592%	+0.027%
30 YR	4.756%	+0.047%
5 YR	3.740%	+0.029%

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