

# MBS & TREASURY MARKETS

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## MBS Recap: Bonds Turn Green After Econ Data and Treasury Auction



**Patrick Smith**

Executive / Management /  
Banker, Integrated Funding

P: (919) 847-2766

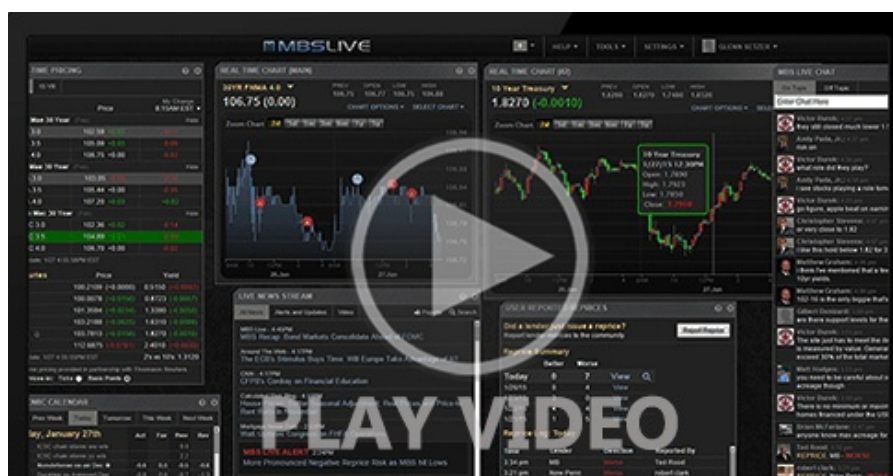
4098 Barrett Dr  
Raleigh NC 27609  
67369



## Bonds Turn Green After Econ Data and Treasury Auction

MBS Recap | Matthew Graham | 4:26 PM

Bonds began the day in slightly weaker territory as yields continue to drift inside the narrow post-Fed range. The absence of big-ticket econ data is a key reason for the lack of volatility. But the lower-tier econ data can still move the needle as evidenced by this morning's NY Fed Survey of Consumer Expectations. The survey showed a slight deterioration in attitudes about the labor market. Bonds moved into stronger territory after that and went on to hit the day's best levels shortly after a well-received 3yr Treasury auction.



## MBS Morning

11:38 AM Early Gains Erase Overnight Weakness

4:06 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

- 10:38 AM Modestly weaker overnight, but moving into positive territory now. MBS up 1 tick (.03) and 10yr down 0.4bps at 4.142
- 11:56 AM Gains continue. MBS up 3 ticks (.09) and 10yr down 2.7bps at 4.121
- 02:43 PM Temporary gains after strong 3yr auction, but back to pre-auction levels now. MBS up 2 ticks (.06) and 10yr down 2.3bps at 4.125

## 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")
  - 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 | 4.128% | -0.020% |
| 2 YR  | 3.572% | -0.015% |
| 30 YR | 4.727% | -0.022% |
| 5 YR  | 3.707% | -0.025% |

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