MBS Recap: Some Selling Pressure After Auction and Fed Minutes

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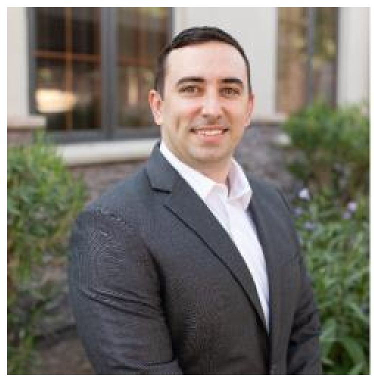

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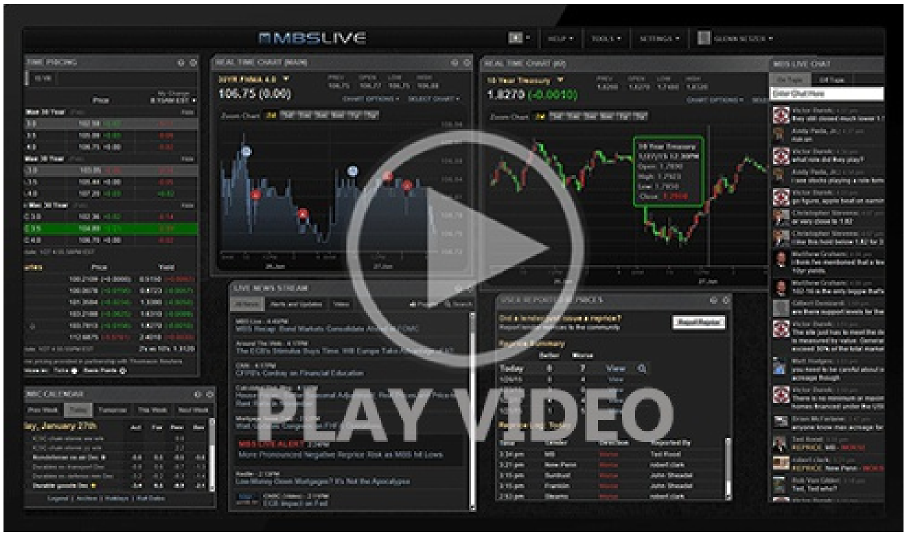
MBS Recap Matthew Graham | 3:21 PM

There were no market-moving economic reports scheduled for today regardless of the government shutdown. That left the focus entirely on the afternoon events: the 1pm 10yr Treasury auction and the 2pm release of the Fed Minutes (a more detailed account of the Fed meeting 3 weeks ago). The auction was slightly weaker than expected, which accounted for most of the upward pressure in yields in the afternoon. The minutes didn't help (even if they didn't necessarily hurt). Notable comments included mention of a few members who would have been OK with no rate cut and a majority of members remaining concerned about inflation.



Watch the Video

MBS Morning

9:33 AM Light Calendar; Afternoon in Focus

Alert

1:59 PM Weakest Levels Ahead of Fed Minutes

3:11 PM

Market Movement Recap

09:27 AM modestly stronger overnight and holding so far. MBS up 2 ticks (.06) and 10yr down 2.4bps at 4.103

12:01 PM Near weaker levels. MBS up 1 tick (.03) and 10yr down 0.9bps at 4.118

01:03 PM No major reaction to middle-of-the-road auction. 10yr down 1bp at 4.117 and MBS up 1 tick (.03)

01:59 PM	MBS are 1 tick lower (.03) and 10yr yields are 0.4bps higher at 4.131
02:40 PM	Slight additional selling after Fed Minutes. MBS down 3 ticks (.09) and 10yr up 0.6bps at 4.133

Lock / Float Considerations

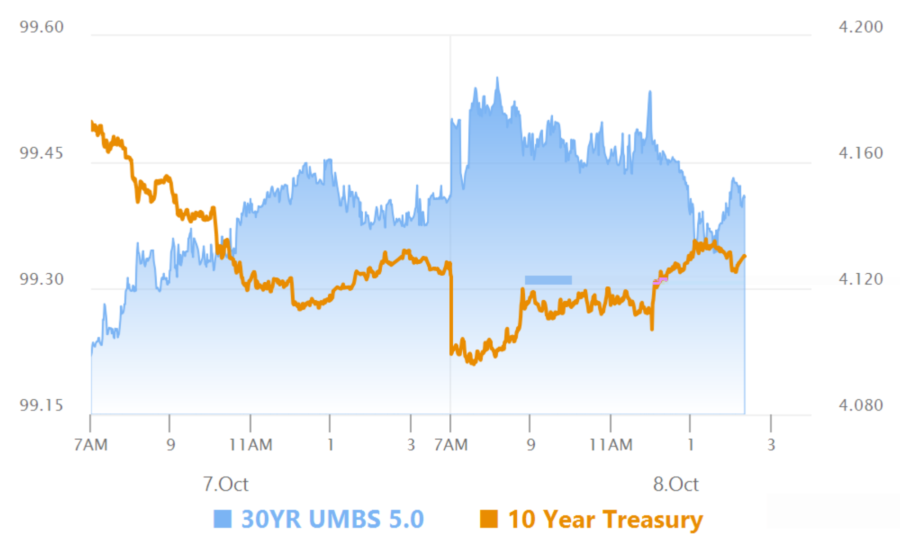
- Risk/reward surrounding the lock/float decision remains muted during the government shutdown. The risk tolerant crowd is still waiting to see when the jobs report comes out after the government shutdown (as long as bonds don't lose too much ground between now and then).

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	4.130%	+0.003%
2 YR	3.585%	+0.018%
30 YR	4.725%	+0.001%
5 YR	3.722%	+0.018%

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