

# MBS & TREASURY MARKETS

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## MBS Recap: Fairly Flat At Strongest Levels in Weeks



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## Fairly Flat At Strongest Levels in Weeks

MBS Recap | Matthew Graham | 5:31 PM

10yr yields ended the day a mere 0.1bp higher than yesterday (4.029 vs 4.028). Call it "unchanged," and no one will argue. In this case, an unchanged result means we're holding at the best levels since Sep 17. MBS managed to add 2bps to yesterday's close, and are also at 4 week highs. Volume was much lower than yesterday, but still elevated compared to most of last week. That's interesting considering the narrow range and light volatility. As far as the modest mid-day bump in Treasury yields, there were no obvious triggers apart from arcane speculation surrounding **liquidity** conditions and funding market stress with traders pointing to a big take up in the Fed's standing repo facility. This doesn't really hold water due to the timing of the repo announcement. The only other thought is that we've often noted enigmatic volatility on tax deadline and adjacent days. Either way, it was too small a move to merit any further investigation.





Watch the Video

## MBS Morning

10:16 AM Everything Winning on Combo of Trade Tensions, Fed Speak, and Earnings

Alert

12:05 PM MBS Down a Quick Eighth of a Point

5:07 PM

## Econ Data / Events

- ○ NY Fed Manufacturing
  - 10.7 vs -1.0 f'cast, -8.7 prev

## Market Movement Recap

- 09:54 AM Slightly stronger overnight and holding gains so far. MBS up 3 ticks (.09) and 10yr down 2.5bps at 4.003
- 12:05 PM MBS now down 1 tick (.03) on the day and 5 ticks (.16) from the highs. 10yr up just under 1bp at 4.037
- 02:49 PM fairly flat after mid-day selling. MBS unchanged and 10yr up 1.6bps at 4.045

## Lock / Float Considerations

- With Tuesday showing bonds able to hold last week's volatile gains, the risk/reward level is more muted in the new week. Data will be light due to the shutdown. The biggest risk come from unscheduled, unexpected headline shocks (as seen last Friday). With rates at multi-week lows, risk-averse clients remain in lock mode. Risk-tolerant clients wait for more negative volatility to force their hand.

## 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 | 4.031% | +0.002% |
| 2 YR  | 3.504% | +0.021% |
| 30 YR | 4.625% | -0.005% |
| 5 YR  | 3.616% | +0.011% |

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