

MBS & TREASURY MARKETS

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MBS Recap: Decent Recovery After AM Backtracking



Tom Payne

Senior Loan Consultant,
CMG Home Loans

www.cmghomeloans.com/.../tom-payne

P: (702) 625-2728

M: (702) 303-0243

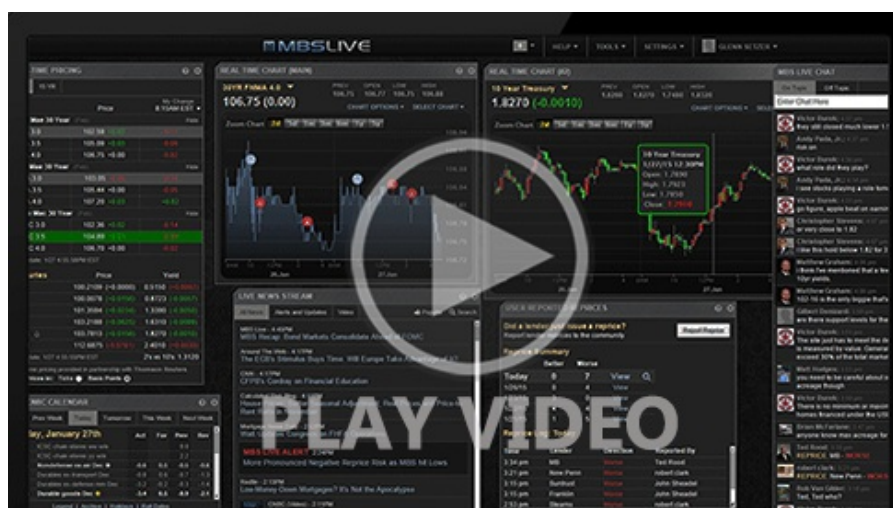
tompaynemortgage@gmail.com

2580 St. Rose Parkway
Henderson NV 89074
1017004
1820

Decent Recovery After AM Backtracking

MBS Recap | Matthew Graham | 4:46 PM

CPI data was a mixed bag for bonds. Top-line numbers fueled a quick rally and digestion of the details brought us back to negative territory (albeit with help from stronger S&P PMI data). Bonds found their footing shortly after 10am at just slightly stronger levels and then stayed mostly sideways through the close. Pretty ho-hum CPI day given all the anticipation...



Update

8:32 AM First Move is Stronger After CPI

MBS Morning

9:47 AM Pros and Cons in CPI Report

Alert

9:50 AM Treasuries Turning Red After S&P PMI Data

2:56 PM

Econ Data / Events

- ○ m/m CORE CPI (Sep)
 - 0.227% vs 0.3% f'cast, 0.3% prev
- m/m Headline CPI (Sep)
 - 0.3% vs 0.4% f'cast, 0.4% prev
- y/y CORE CPI (Sep)
 - 3.0% vs 3.1% f'cast, 3.1% prev
- y/y Headline CPI (Sep)
 - 3.0% vs 3.1% f'cast, 2.9% prev
- m/m SUPERCORE
 - .351 vs .330 prev

Market Movement Recap

- 09:51 AM Initially stronger after CPI data, but now turning red after PMI data. MBS unchanged and 10yr up 1.2bps at 4.013
- 01:51 PM Crawling back into positive territory. MBS up an eighth and 10yr down 1.2bps at 3.99
- 04:40 PM Heading out at just slightly stronger levels with MBS up an eighth and 10yr yields down half a bp at 3.997

Lock / Float Considerations

- Rates nudged just a bit higher over the past 2 days, regardless of the apparently friendly inflation data on Friday morning. This builds an ongoing case for current levels representing something of a floor, or at least a temporary hitching post on the path to wherever we're headed next. Next week's auctions and Fed press conference could help inform that path, but not in the same way that big-ticket econ data could.

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	4.001%	0.000%
2 YR	3.482%	-0.010%
30 YR	4.592%	+0.019%
5 YR	3.605%	-0.003%

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