

MBS & TREASURY MARKETS

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MBS Recap: Sideways Overall Despite Hawkish Fed Speakers



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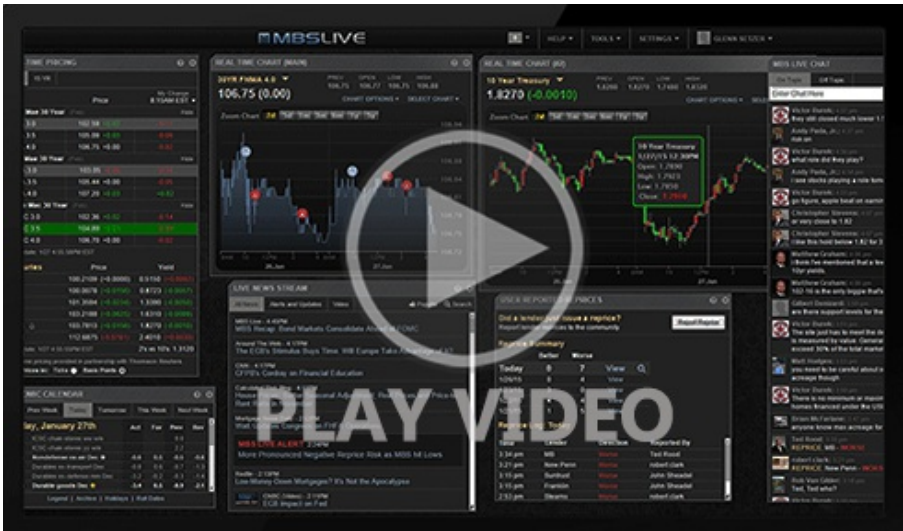
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Sideways Overall Despite Hawkish Fed Speakers

MBS Recap | Matthew Graham | 3:53 PM

Although there was some mid-day volatility (early buying followed by slower selling back to roughly unchanged territory), that movement was more in line with month-end tradeflows than any interesting, specific motivations. Nonetheless, there were interesting, specific developments in the form of several comments from several Fed speakers. Rather than display a balanced mix of differing viewpoints, today's crop of comments was distinctly **hawkish** across the board. Logan said she would have preferred to hold rates steady this week and can't see a case for a December cut. Hammack said it's not clear what the right answer is for rates, but that it's important to stay restrictive. Bostic said he was glad Powell said a December cut is far from a foregone conclusion. And Schmid said he dissented in this week's vote due to economic momentum and inflation concerns. While bonds didn't react to this today, the lopsided hawkishness makes for an interesting 6 weeks of data-watching ahead of the next Fed meeting and dot plot.



Watch the Video

MBS Morning

10:29 AM Some Early Month-End Buying

Alert

11:43 AM Down an Eighth From Highs

Alert

12:28 PM Negative Reprice Risk Increasing

Market Movement Recap

09:44 AM A hair weaker overnight, but gaining ground since the open. MBS up 5 ticks (.16) and 10yr down 1bp at 4.086

11:43 AM MBS up 2 ticks (.06) on the day but down an eighth from the AM highs. 10yr now up 0.2bps at 4.097

12:29 PM MBS down 6 ticks from highs (.19) and 1 tick on the day. 10yr up 0.4bps at 4.099

03:17 PM MBS down 7 ticks (.22) from highs and 2 ticks (.06) on the day. 10yr unchanged at 4.094

Lock / Float Considerations

- As feared, there was some negative follow-through from Fed day into Thursday (especially on rate sheets). As far as the Fed being the driver of this weakness, it has likely run its course now. This isn't to say that rates must bounce back lower. Rather, we're back to a more neutral risk/reward environment. Wednesday afternoon was one of those rare cases where Thursday stood a much higher than average chance of seeing higher rates.

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
 - o 4.12
 - o 4.05
- Floor/Resistance
 - o 3.89
 - o 3.97

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	4.093%	-0.003%
2 YR	3.598%	-0.009%
30 YR	4.660%	+0.002%
5 YR	3.707%	-0.011%

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