

MBS & TREASURY MARKETS

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MBS Recap: Gains Completely Erased; Stocks Looking More Culpable



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Gains Completely Erased; Stocks Looking More Culpable

MBS Recap | Matthew Graham | 4:58 PM

Viewed in a vacuum, this mornings 7-8am rally remains enigmatic. There was some small case to be made that stock losses played a role, but the bond buying definitely didn't line up with stocks in a normal way (i.e. it looked like there was some third variable that caused the bond rally to play out in a much more concentrated way). But as the day progressed, we saw stronger evidence of correlation between stock prices and bond yields. Specifically, a sharp rebound in stocks at the 9:30am NYSE open coincided with an equally sharp reversal in bonds. Yields ultimately leveled off 2.5-3bps higher on the day with MBS spending the afternoon in just barely weaker territory.



MBS Morning

9:24 AM Stronger Start After 7am Magical Mystery Move

Alert

9:57 AM Giving Up Most of The Gains

4:20 PM

Econ Data / Events

- ○ ADP Weekly Payrolls (Tue, 11/11)
 - -11k

Market Movement Recap

- 08:39 AM Initially weaker overnight, but now stronger after a big rally at 7am-730am. MBS up 5 ticks (.16) and 10yr down 5bps at 4.067
- 09:58 AM giving up most of the AM gains. 10yr down less than half a bp at 4.112. MBS still up 3 ticks (.09) but down 5 ticks (.16) from AM highs.
- 12:24 PM New lows. MBS down 1 tick (.03) and 10yr up 2.7bps at 4.142
- 04:22 PM Heading out near weakest levels. MBS down 2 ticks (.06) and 10yr up 3bps at 4.145

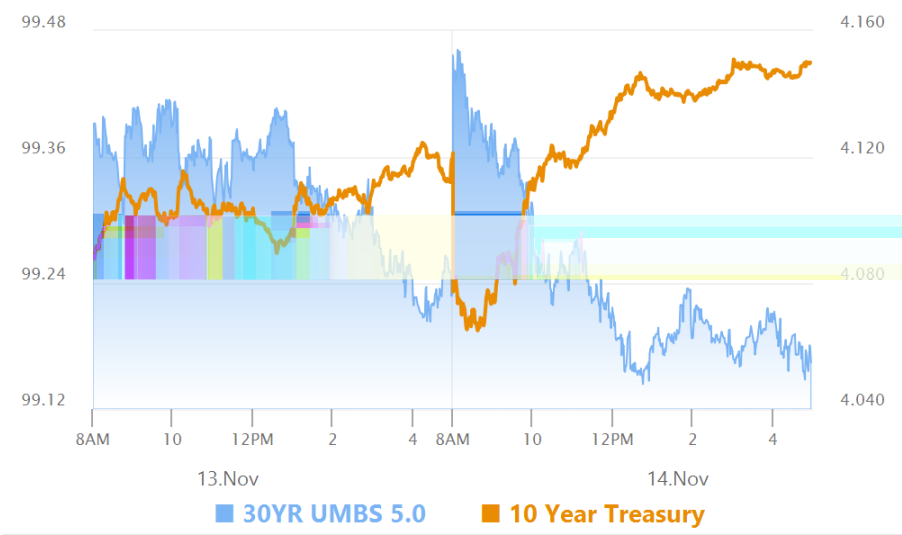
Lock / Float Considerations

- The initial updates are now coming out of government agencies regarding rescheduling of econ data. As expected, we'll be waiting a bit--even for the stuff that was already collected prior to the shutdown. In the meantime, bonds have been taking cues from stocks and Fed speakers. The latter have been decidedly more **hawkish**. Bonds will likely have a tough time finding a bit until they see next week's Fed minutes as this week's Fed comments seem to be bracing traders for a **hawkish** bias.

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	4.150%	+0.035%
2 YR	3.610%	+0.021%
30 YR	4.750%	+0.040%
5 YR	3.734%	+0.031%

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