

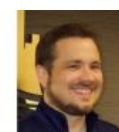
MBS & TREASURY MARKETS

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MBS Recap: Modest Gains After Mid-Day Volatility



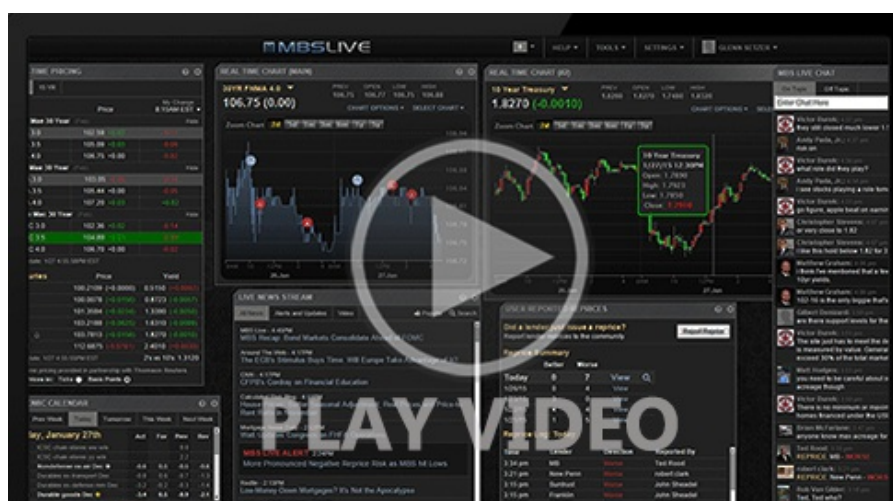
Nick Hunter
President, Owner, River
City Mortgage, LLC
www.rchomeloans.com



Modest Gains After Mid-Day Volatility

MBS Recap | Matthew Graham | 4:46 PM

With only a few exceptions, bonds have been a rudderless ship during the government shutdown. With the backlogged data returning in a slow and uncertain fashion, rudder repairs are similarly slow. In today's case, bonds benefited from overnight strength in overseas bond markets and a bit of ongoing weakness in stocks. The surprise release of stale jobless claims data did nothing to inspire and there was limited benefit from another negative print in the weekly ADP numbers. As soon as EU bonds closed for the day, US bonds began selling off. The damage was short-lived and well contained. The net effect was another in-range day ahead of higher consequence events like Wednesday's Fed minutes or Thursday's jobs report.



MBS Morning

10:22 AM Bonds Buy The Dip Regardless of AM Data

Alert

11:38 AM Down an Eighth From AM Highs

4:31 PM

Econ Data / Events

- ○ ADP Weekly Payrolls
 - -2.5k vs -11.25k prev
- Jobless Claims (October 18th)
 - 232k vs 223k f'cast, 219k prev
- Factory Orders
 - 1.4 vs 1.4 f'cast, -1.3 prev
- Builder Confidence
 - 38 vs 37 f'cast, 37 prev
- Core Durable Goods (Aug)
 - 0.4 vs 0.6 f'cast/prev

Market Movement Recap

- 09:56 AM Stronger overnight with some additional gains after ADP data. MBS up 6 ticks (.19) and 10yr down 4.8 bps at 4.091
- 11:39 AM MBS up 3 ticks (.09) but down an eighth from AM highs. 10yr down 1.5bps at 4.125 but up 4bps from AM lows.
- 04:18 PM Off the weakest levels. MBS up an eighth and 10yr down 2bps at 4.119

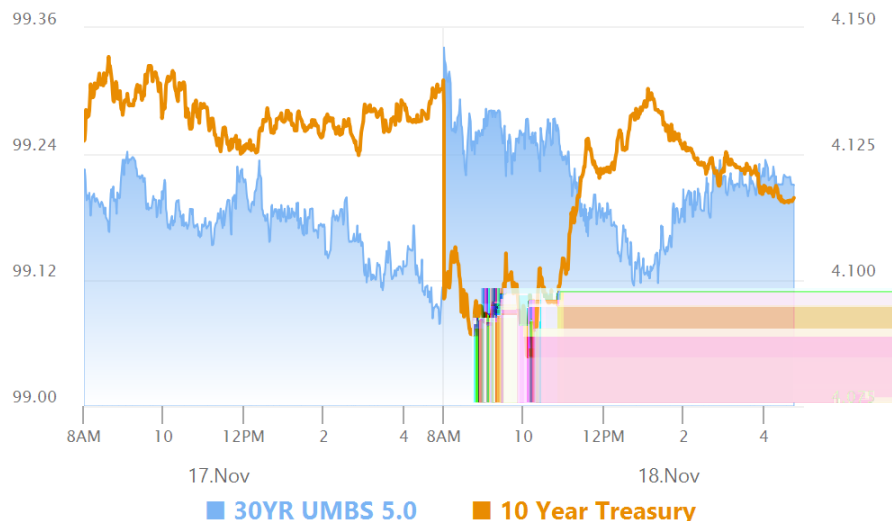
Lock / Float Considerations

- The new week is off to a flat start, which is as much of a victory as bonds could hope for in the absence of friendlier Fed comments or weaker econ data. Potential volatility remains moderate for now, but will pick up surrounding Wednesday's Fed minutes and Thursday's jobs report (even though it's a bit stale).

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 UMBF 5.0	+
30YR UMBF 5.5	+
30YR GNMA 5.0	
15YR UMBF-15 5.0	+

US Treasuries

10 YR	4.116%	-0.023%
2 YR	3.577%	-0.037%
30 YR	4.736%	+0.000%

5 YR

3.689%

-0.040%

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