

# MBS & TREASURY MARKETS

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## MBS Recap: Bonds Hold Gains Despite Ongoing Recovery in Stocks



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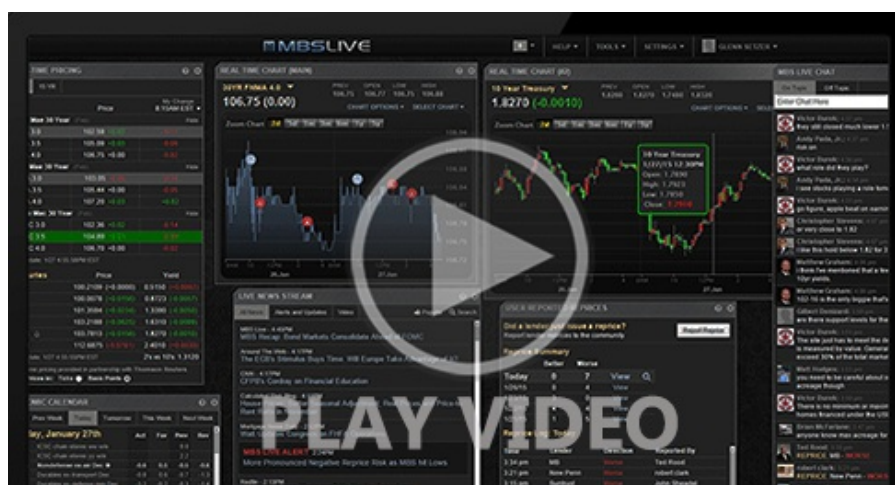
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## Bonds Hold Gains Despite Ongoing Recovery in Stocks

MBS Recap | Matthew Graham | 3:03 PM

The stock market factored into the bond market's performance on Friday. In pre-market trading stocks managed a big bounce after NY Fed's Williams spoke favorably about December's rate cut potential. Bonds benefited from that comment initially, but the stock rally quickly forced bonds to find a floor for the day. From then on, stocks continued putting upward pressure on rates, but the net effect was that bonds simply held sideways whereas they might have otherwise continued to rally.



## MBS Morning

9:31 AM Modestly Stronger With Bonds Tracking Stock Losses

### Alert

12:26 PM Down an Eighth From Highs

2:06 PM

## Econ Data / Events

- ○ Non Farm Payrolls (Sep)
  - 119K vs 50K f'cast, 22K prev
- Participation Rate (Sep)
  - 62.4% vs -- f'cast, 62.3% prev
- Philly Fed Business Index (Nov)
  - -1.7 vs -3.1 f'cast, -12.8 prev
- Philly Fed Prices Paid (Nov)
  - 56.10 vs -- f'cast, 49.20 prev
- Unemployment rate mm (Sep)
  - 4.4% vs 4.3% f'cast, 4.3% prev

## Market Movement Recap

- 09:16 AM Stronger overnight, mostly in line with stock losses. Some additional gains on Fed's Williams' rate cut thoughts. MBS up just over an eighth and 10yr down 2.6bps at 4.059
- 11:37 AM Near weakest levels but still in positive territory. MBS up 3 ticks (.09) and 10yr down 1.2bps at 4.072
- 12:27 PM weakest levels. MBS unchanged and 10yr up 0.2bps at 4.085
- 02:54 PM Back near strongest levels now with MBS up 5 ticks (.16) and 10yr down 2.2bps at 4.062

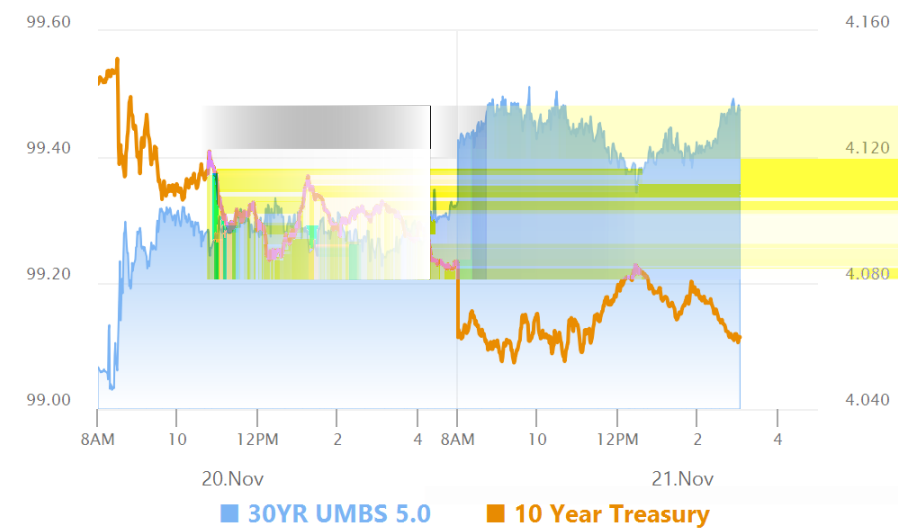
## Lock / Float Considerations

- The coming week represents a perennial wild card for the bond market. Thanksgiving always brings random volatility potential due to drastically lower staffing levels at trade desks and the fact that the week's business basically needs to wrap up by Wednesday morning. Add the confusion of rescheduled government reports from the shutdown and all bets are off. Both risk-averse and risk-tolerant clients should consider that it will be hard for bonds to make a case for a significant rally until the Fed meeting (12/10) and rescheduled data (12/16) in December.

## 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 | 4.062% | -0.022% |
| 2 YR  | 3.512% | -0.024% |
| 30 YR | 4.715% | -0.010% |
| 5 YR  | 3.617% | -0.033% |

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