

MBS & TREASURY MARKETS

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MBS Recap: Lowest Yields in Almost 4 Weeks Despite Ongoing Stock Market Recovery



NCM Team: Wendy,
Paul & Shelley
Mortgage Advisors, Nevada
County Mortgage

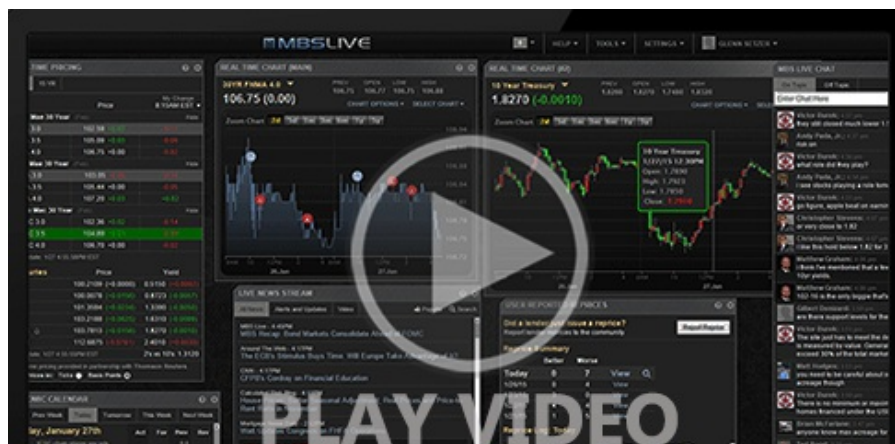
nevadacountymortgage.com
P: (530) 274-0916

140 Litton Dr
Grass Valley CA 95945
NMLS: 254913, 254875 & 270488

Lowest Yields in Almost 4 Weeks Despite Ongoing Stock Market Recovery

MBS Recap | Matthew Graham | 4:38 PM

There's no question that stock prices and bond yields have had more than the normal amount of correlation recently. While that created some risk of a bond market weakness in the event of a stock market correction, those fears are proving unfounded over the past 2 trading days. Granted, stocks haven't surged, but they did move back to the highest levels in a week on Monday. But bonds didn't follow. In fact, after a microscopically stronger start, yields continued to fall gradually throughout the session, ultimately closing at the lowest level since the late October Fed meeting.





10:04 AM Bonds Inch to Best Levels in Over 3 Weeks

4:22 PM

08:53 AM	Modestly stronger overnight and holding gains so far. MBS up 2 ticks (.06) and 10yr down 1.3bps at 4.05
12:04 PM	MBS up 3 ticks (.09) and 10yr down 1.7bps at 4.047
02:52 PM	Best levels of the day with MBS up an eighth of a point and 10yr down 2.7bps at 4.037

- Volatility risk increases over the next 2 days due to a combination of a busier economic calendar and the typical Thanksgiving week illiquidity. Risk averse clients are happy to be locking rates that are close enough to lows of the past month. The most risk-tolerant clients can afford to wait and see if the range ceiling is challenged. Moderately risk-tolerant clients are cognizant that it will require more timely bigger ticket data in mid-December in order to see a significant improvement in rates.

- Ceiling/Support (can be used as "lock triggers")
 - 4.48
 - 4.40
 - 4.34
 - 4.28
 - 4.19
 - 4.12
 - 4.05
- Floor/Resistance
 - 3.89
 - 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	4.030%	-0.034%
2 YR	3.498%	-0.012%
30 YR	4.674%	-0.038%
5 YR	3.599%	-0.021%

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