

# MBS & TREASURY MARKETS

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



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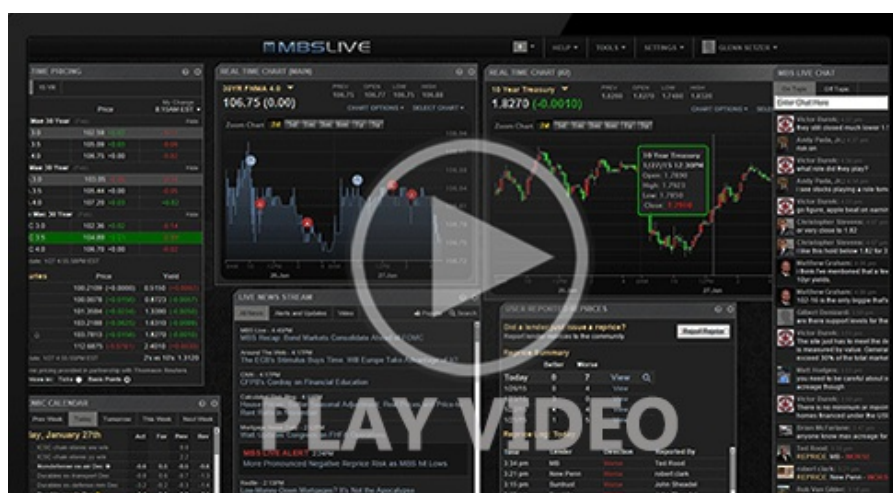
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## Lowest Yields in Almost 4 Weeks Despite Ongoing Stock Market Recovery

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.



## MBS Morning

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

4:22 PM

## Market Movement Recap

- 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

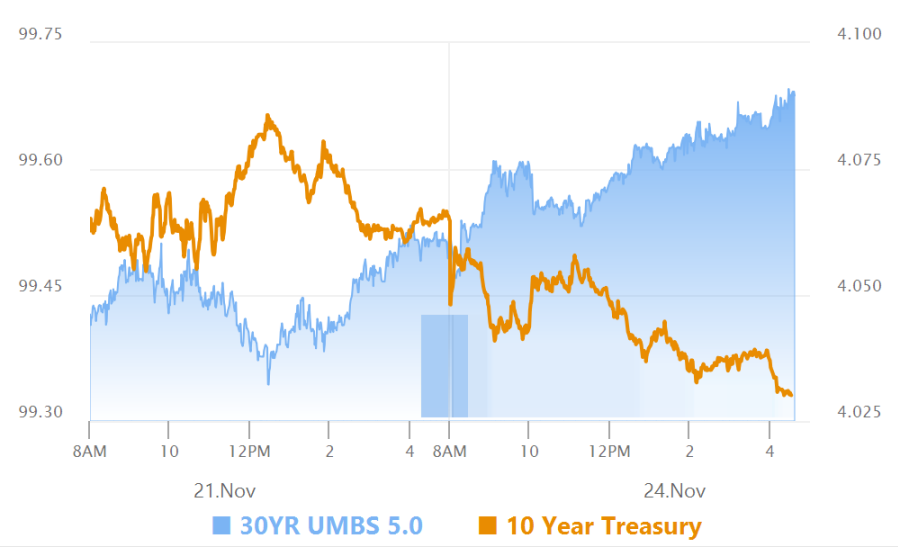
## Lock / Float Considerations

- 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.

## 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 | 4.030% | -0.034% |
| 2 YR  | 3.498% | -0.012% |
| 30 YR | 4.674% | -0.038% |
| 5 YR  | 3.599% | -0.021% |

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