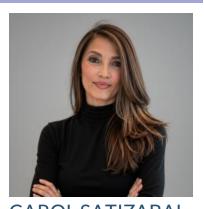
# MBS & TREASURY MARKETS

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MBS Recap: Best Closing Levels in Nearly a Month



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## Best Closing Levels in Nearly a Month

MBS Recap Matthew Graham | 5:07 PM

Bonds improved only moderately on Tuesday in a move that's just as easily chalked up to random holidayweek volatility as any of the day's data/events. If we're determined to give credit to particulars, we can cite things like the 13.5k decline in weekly ADP payrolls, or the market's favorable reaction to rumors that Kevin Hassett is the front-runner to be the next Fed Chair (Hasset is assumed to be extremely dovish). Most notably, bonds took no damage from another day of upward momentum in stock prices. Yields closed out with 10s right at 4.0%--the best end of day marks since the day before the October 29th Fed announcement (6th lowest close in more than a year).





#### Watch the Video

#### **MBS Morning**

8:53 AM 10yr Flirting With 4.0%, But Not Because of Data

4:25 PM

#### **Econ Data / Events**

- ○ ADP Employment Change Weekly
  - -13.5K vs -- f'cast, -2.5K prev
  - Core Producer Prices MM (Sep)
    - 0.1% vs 0.2% f'cast, -0.1% prev
  - PPI YoY (Sep)
    - 2.7% vs 2.7% f'cast, 2.6% prev
  - Producer Prices (Sep)
    - 0.3% vs 0.3% f'cast, -0.1% prev
  - Retail Sales (Sep)
    - 0.2% vs 0.4% f'cast, 0.6% prev
  - Retail Sales Control Group MoM (Sep)
    - -0.1% vs 0.3% f'cast, 0.7% prev
  - FHFA m/m home price change
    - 0.0
  - Consumer Confidence
    - 88.7 vs 93.4 f'cast, 94.6 prev
  - Pending Home Sales
    - 76.3 vs 74.8 prev

#### **Market Movement Recap**

08:35 AM Lots of data but no reaction. MBS up 2 ticks (.06) and 10yr down 0.7bps at 4.02

10:04 AM holding best levels after more data. MBS up 3 ticks (.09) and 10yr down 2.3bps at 4.005

12:22 PM Pates rallying on Hassett Fed Chair rumors MRS up 6 ticks (19) and 10vr down 3 5hps at 3 993

Heading out with MBS still up 6 ticks (.19) and 10yr down 2.6bps at 4.001

#### Lock / Float Considerations

Thanksgiving week volatility has arrived and, fortunately, it is playing out in favor of lower rates. Tuesday's drop was especially large due to the structure of the underlying MBS market which causes average rates to fall faster as they approach coupon cut-offs (6.125% 30yr fixed rates in the current case). The same volatility caveats remain, however, and Tuesday's improvement is no guarantee of a repeat performance on Wednesday. If anything, the proximity to long-term lows means that another meaningful drop will be less and less likely until newer econ data justifies it.

### Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
  - o 4.48
  - 0 4.40
  - o 4.34
  - o 4.28
  - o 4.19
  - o 4.12
  - o 4.05
- Floor/Resistance
  - 0 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	3.998%	-0.030%
2 YR	3.461%	-0.033%
30 YR	4.651%	-0.013%
5 YR	3.570%	-0.025%

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