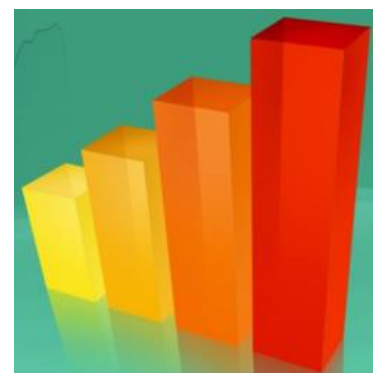


MBS & TREASURY MARKETS

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MBS Recap: Complete Silence After AM Volatility



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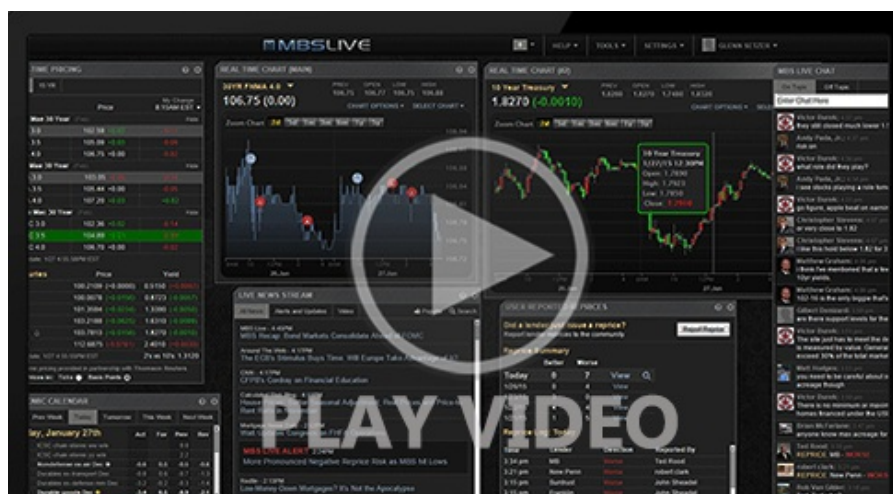
San Francisco CA 94123



Complete Silence After AM Volatility

MBS Recap | Matthew Graham | 4:02 PM

Bonds were mostly flat overnight before a sharp sell-off from 8am through 10am ET. After that, momentum went flat again--especially the last 4 hours of trading. No one is still debating whether or not the AM sell-off was due to Japan's central bank news or a post-holiday return to reality. Yields are back in the pre-Thanksgiving range and ready to respond to this week's bigger-ticket econ reports.



MBS Morning

10:13 AM Breaking Down Early Weakness. Is It Japan?

3:45 PM

Econ Data / Events

- - o ISM Manufacturing Employment (Nov)
 - 44.0 vs -- f'cast, 46.0 prev
 - o ISM Manufacturing PMI (Nov)
 - 48.2 vs 48.6 f'cast, 48.7 prev
 - o ISM Mfg Prices Paid (Nov)
 - 58.5 vs 59.5 f'cast, 58.0 prev

Market Movement Recap

- 09:27 AM Mostly flat overnight but selling steadily since 8am. MBS down a quarter point and 10yr up 6.9bps at 4.084
- 11:09 AM No reaction to ISM data. Holding at weakest levels. MBS down 9 ticks (.28) and 10yr up 7.6bps at 4.09
- 02:34 PM Steady at weakest levels. MBS still down 9 ticks (.28) and 10yr up 7.9bps at 4.093

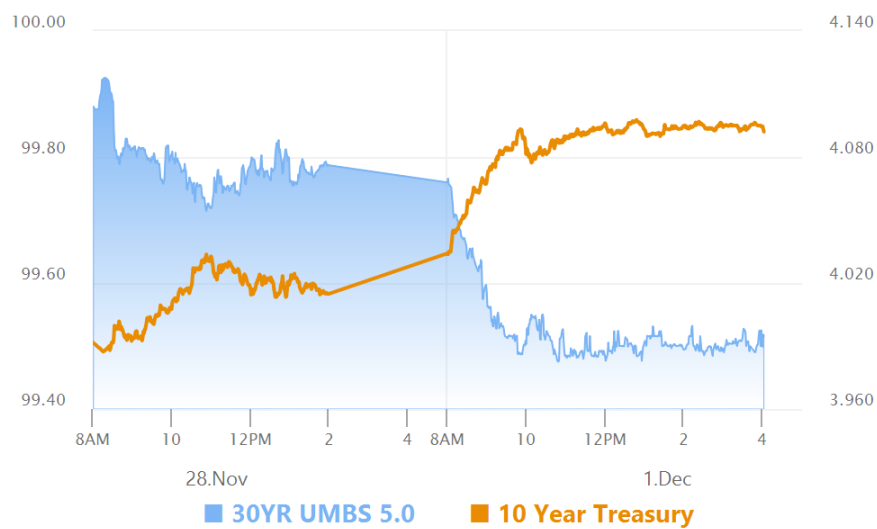
Lock / Float Considerations

- With holiday-related gyrations in the rearview, rates are in a familiar range seen throughout most of November. Risk/reward is more straightforward in the coming days with economic data standing the best chance to cause volatility.

Technicals/Trends in 10yr (why 10yr)

- 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	4.092%	+0.078%
2 YR	3.535%	+0.041%
30 YR	4.742%	+0.077%
5 YR	3.669%	+0.071%

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