Nickolas Inhelder
Mortgage Broker, In Clear To Close - InCTC LLC
www.AslanHLC.com
P: (720) 446-8778
M: (858) 229-9533
nick@incleartoclose.com
1777 S. Harrison St.
Denver CO 80210
2037157 - CO, FL
2656899 - AL, CO, FL, SD

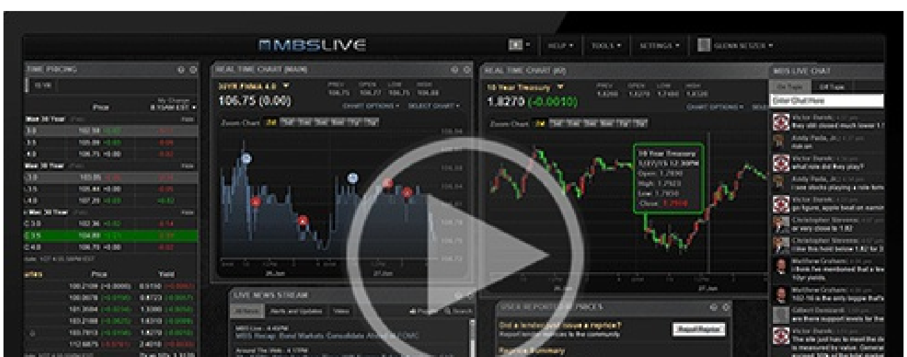
Aslan Home Lending Corporation

MBS Recap: Technicals Help Reconcile Selling Pressure

Technicals Help Reconcile Selling Pressure

MBS Recap Matthew Graham | 4:38 PM

In the realm of market commentary, technicals are a vastly overused explanation for past movement, let alone for the prediction of future movement. In this week's case, however, the consolidation pattern in bond yields offers one of the only ways to understand the otherwise inexplicable selling pressure. Long story short, the weakness was just the right size and pace to complete the pattern heading into events with more power to inspire definitive reactions and lasting momentum.



Watch the Video

MBS Morning

10:33 AM Inconsequential Data and Modest Movement

Alert

10:59 AM MBS Down an Eighth From AM Highs

Alert

11:27 AM Negative Reprices Becoming More Likely

4:25 PM

Econon Data / Events

- Consumer Sentiment (Dec)
  - 53.3 vs 52 f'cast, 51.0 prev
- Sentiment: 1y Inflation (Dec)
  - 4.1% vs -- f'cast, 4.5% prev
- Sentiment: 5y Inflation (Dec)
  - 3.2% vs -- f'cast, 3.4% prev
- U Mich conditions (Dec)
  - 50.7 vs 51.3 f'cast, 51.1 prev
- Core PCE (m/m) (Sep)
  - 0.2% vs 0.2% f'cast, 0.2% prev
- Core PCE Inflation (y/y) (Sep)
  - 2.8% vs 2.9% f'cast, 2.9% prev
- Inflation-Adjusted Spending (Consumption) (Sep)
  - 0.3% vs 0.3% f'cast, 0.6% prev
- Personal Income (Sep)
  - 0.4% vs 0.3% f'cast, 0.4% prev

Market Movement Recap

09:29 AM	Modestly weaker overnight but recovering a bit. MBS down 1 tick (.03) and 10yr up 1.2bps at 4.11
10:59 AM	10yr yields are up 3bps at 4.128. MBS are down only 3 ticks (.09) on the day.
12:20 PM	MBS down an eighth and 10yr up 3.1bps at 4.129

Lock / Float Considerations

- Rates broadly consolidated ahead of Fed week. The modest bump toward higher levels creates a short-term opportunity for risk takers, but not one that has an especially attractive reward. In order to see more meaningful moves, we'll need to get the more meaningful data and events. These start on Tuesday and go through the December 16th jobs report.

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	4.138%	+0.040%
2 YR	3.562%	+0.041%
30 YR	4.793%	+0.040%
5 YR	3.714%	+0.039%

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