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MBS Recap: Pre Fed Jitters? Not Exactly

Pre Fed Jitters? Not Exactly

MBS Recap Matthew Graham | 4:26 PM

Both stocks and bonds began to swoon moments after this morning's 9:30am NYSE open. That sort of pervasive selling is often seen when the Fed's rate cut outlook is deteriorating. With the Fed on deck Wednesday, it would be easy to slap "pre-Fed jitters" on the label of today's sell-off and call it good. But Fed Funds Futures don't corroborate that narrative. In fact, nothing does (at least not when it comes to obvious data/events/news). We're left to lean on "elevated random volatility between Thanksgiving and New Years." It's our least favorite explanation, but in today's case, it's also the least stupid one we've seen.

Watch the Video

Alert

9:58 AM Sharper Selling After NYSE Open

MBS Morning

10:07 AM Yields Testing Range Ceiling Ahead of Auctions, Data, And The Fed

4:18 PM

Market Movement Recap

09:39 AM A hair weaker overnight and sideways so far. MBS down 3 ticks (.09) and 10yr up 1.2bps at 4.149

01:31 PM drifting sideways near weakest levels. MBS down a quarter point and 10yr up 3.5bps at 4.172

03:30 PM Off the weakest levels, but not much. MBS down 7 ticks (.22) and 10yr up 3 bps at 4.167

Lock / Float Considerations

- Assume a higher probability of random volatility until the second week of January. Between now and then, events and data carry risk as well, but bonds have been just as willing to move without any obvious catalysts. This week's highest risk events include Tuesday morning's JOLTS data and Wednesday afternoon's Fed announcement.

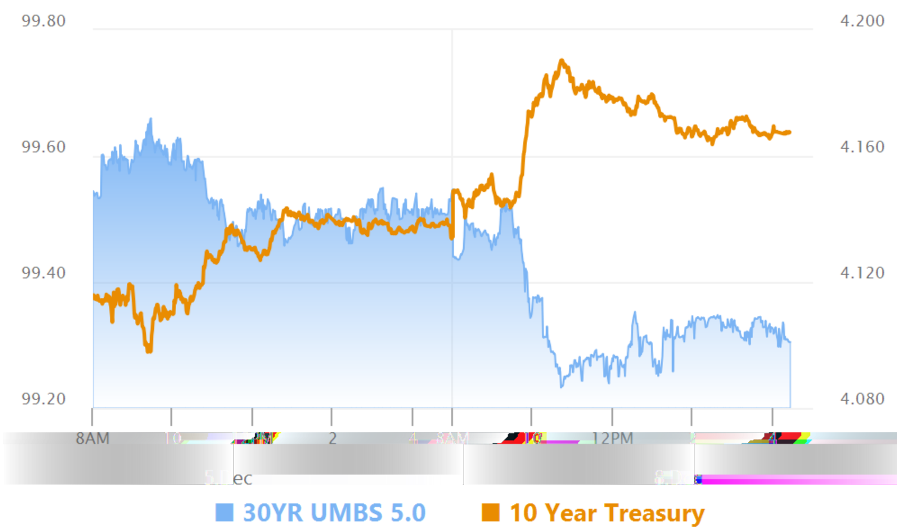
Technicals/Trends in 10yr (why 10yr)

- 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	4.168%	+0.031%
2 YR	3.578%	+0.017%
30 YR	4.810%	+0.019%
5 YR	3.748%	+0.035%

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