

MBS & TREASURY MARKETS

Daily Coverage. Industry Leading Perspective.

MBS Recap: Wednesday is All About Dot Plot and Powell



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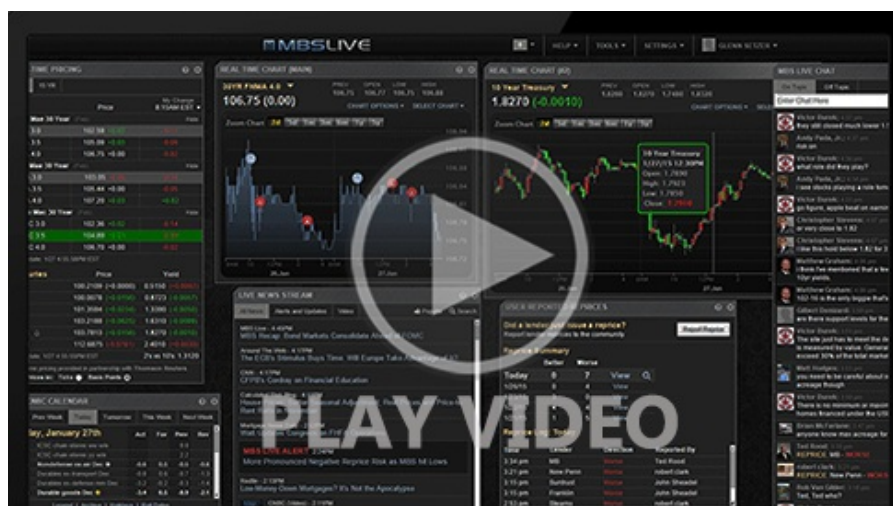
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Wednesday is All About Dot Plot and Powell

MBS Recap | Matthew Graham | 4:17 PM

Bonds lost ground moderately and logically on Tuesday in response to the JOLTS data. From here, this week's volatility potential hinges on the Fed. Fed Funds Futures suggest that there's been no change in rate cut prospects for Wednesday's meeting. It remains a nearly a 90% probability and thus a non-event when the cut is announced. The more important events will be the 2pm ET release of the dot plot (individual Fed member forecasts for the Fed Funds Rate) and the 2:30pm press conference with Fed Chair Powell. While it may be fashionable to hold the cynical view that Powell's pressers "always" hurt rates, that's certainly not the case and we have no way to know if it will be the case on Wednesday. At the very least, the bearish set-up over the past 2 weeks should tell you that anything can happen (considering Fed rate cut days have often pushed back against the prevailing trend in rates).



Alert

10:06 AM Losing Some Ground After JOLTS

MBS Morning

11:36 AM Job Openings Data Causing Weakness in Bonds

4:08 PM

Econ Data / Events

- ○ ADP Employment Change Weekly
 - 4.75K vs -- f'cast, -13.5K prev
- CB Leading Index MoM (Sep)
 - -0.3% vs -0.3% f'cast, -0.5% prev
- JOLTs Job Quits (Sep)
 - 3.128M vs -- f'cast, 3.091M prev
- JOLTs Job Quits (Oct)
 - 2.941M vs -- f'cast, -- prev
- USA JOLTS Job Openings (Sep)
 - 7.658M vs 7.2M f'cast, 7.227M prev
- USA JOLTS Job Openings (Oct)
 - 7.670M vs -- f'cast, 7.658M prev

Market Movement Recap

- 10:50 AM Sideways to slightly stronger overnight, but now weaker after JOLTS data. MBS down an eighth and 10yr up 1.5bps at 4.178
- 02:10 PM Weakest levels. MBS down 6 ticks (.19) and 10yr up 2.2bps at 4.185
- 04:17 PM Drifting out at weakest levels. MBS down 7 ticks (.22) and 10yr up 2.2bps at 4.185

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. With JOLTS out of the way, this week's biggest potential source of volatility is Wednesday afternoon's Fed announcement--specifically the dot plot and the press conference.

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 4.185% 10 YR 4.185%

10 YR	4.185%	+0.023%
2 YR	3.611%	+0.038%
30 YR	4.809%	+0.007%
5 YR	3.781%	+0.036%

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