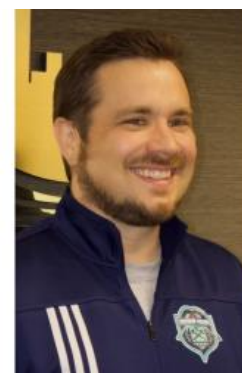


MBS & TREASURY MARKETS

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MBS Recap: Stunning Display of Holiday Trading Weirdness



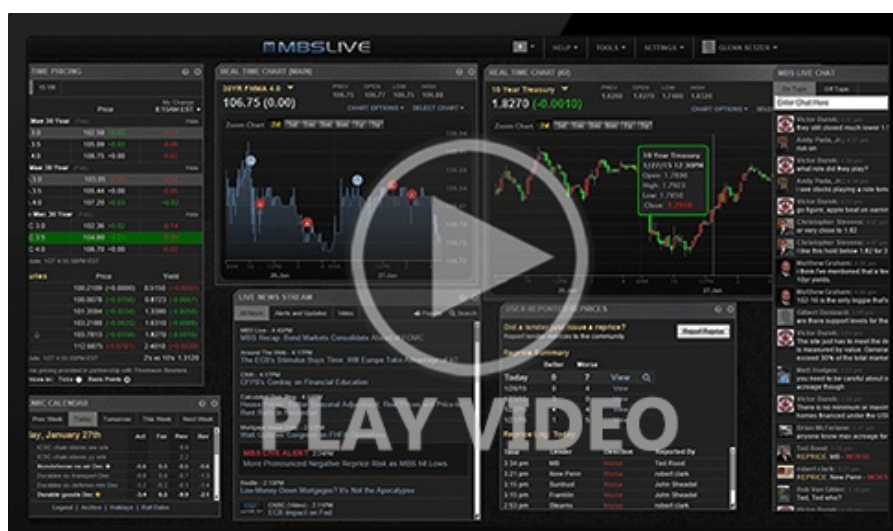
Nick Hunter
President, Owner, River City Mortgage, LLC
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Stunning Display of Holiday Trading Weirdness

MBS Recap | Matthew Graham | 4:43 PM

GDP for Q3 may be ancient history as far as econ data goes, but markets didn't seem to think so in the hour following this morning's release. GDP was much stronger than expected and bonds traded it like it was a legit market mover. But most of the reaction was a holiday-induced amplification of what might have otherwise only caused barely-noticeable weakness in bonds. That point was driven home by the end of the day as both Treasuries and MBS returned to unchanged levels.



[Watch the Video](#)

Update

8:35 AM Losing Ground After AM Data

MBS Morning

9:54 AM GDP Reaction a Prime Example of Holiday Distortion

4:33 PM

Econ Data / Events

- ○ ADP Employment Change Weekly
 - 11.5K vs -- f'cast, 16.25K prev
- Core CapEx (Oct)
 - 0.5% vs -- f'cast, 0.9% prev
- Core PCE Prices QoQQ3
 - 2.90% vs 2.9% f'cast, 2.6% prev
- Corporate profitsQ3
 - 4.4% vs -- f'cast, 0.2% prev
- Durable goods (Oct)
 - -2.2% vs -1.5% f'cast, 0.5% prev
- Industrial Production (Oct)
 - -0.1% vs 0.1% f'cast, 0.1% prev
- Industrial Production (Nov)
 - 0.2% vs -- f'cast, -0.1% prev
- CB Consumer Confidence (Dec)
 - 89.1 vs 91 f'cast, 88.7 prev

Market Movement Recap

- 08:35 AM MBS are now down 1-2 ticks (.03-0.06) and 10yr yields are up roughly 1bp at 4.169
- 11:46 AM Bonds sold off a bit more after the last update, but are now back to similar levels with MBS down 2 ticks (.06) and 10yr up 1.1 bps at 4.17
- 02:00 PM Sideways since last update. MBS down 2 ticks (.06) and 10yr up 0.7bps at 4.167

Lock / Float Considerations

- We're now entering peak holiday mode for bond markets. This means a wider range of movement that can happen for no apparent reason even though the average year sees rates drift aimlessly sideways in the 2nd half of December. The next risk for consequential volatility from scheduled events won't be until the first week of January.

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



US Treasuries

10 YR	4.165%	+0.005%
2 YR	3.532%	+0.033%
30 YR	4.824%	-0.005%
5 YR	3.737%	+0.021%

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