

MBS & TREASURY MARKETS

Daily Coverage. Industry Leading Perspective.

MBS Recap: Token Year-End Volatility



Alan Lacey
RVP- Consumer Direct Lending, Northpointe Bank
www.northpointe.com
3333 Deposit Dr NE
Grand Rapids MI 49546
NMLS 783169



Token Year-End Volatility

MBS Recap | Matthew Graham | 1:23 PM

Wednesday's shortened session offered more excitement than the first two days of the week. There was a modicum of legitimate data-driven selling this morning in response to the jobless claims data. Bonds had trudged most of the way back toward unchanged levels by 1pm ET, but volatility picked up again at that point. While 2pm is the official early close, 1pm is the cut-off for many of the largest traders to close out their year-end **positions**. This makes for a big spike in volume at that time, and it can also result in a quick jolt to prices/yields. As far as year-end jolts go, today's was pretty normal and should not be taken as a sign of any underlying predisposition in the market.

The screenshot shows the MBS LIVE interface. On the left, a 'TIME PRICING' table lists bond yields for various maturities, including 10-Year, 20-Year, 30-Year, and 30-Year TIPS. The 10-Year yield is 1.0675%. In the center, a 'REAL TIME CHART (BOND)' for the 20-Year Bond shows price and yield data. A large play button is overlaid on the chart. To the right, a 'REAL TIME CHART (TREASURY)' for the 10-Year Treasury shows price and yield data. A live 'MBS LIVE CHAT' window is open on the far right, showing a list of messages from users like 'Andy Pyle' and 'Christopher Stevens'.



Watch the Video

MBS Morning

8:56 AM A Bit of Actual Data-Driven Selling Thanks to Jobless Claims and Wonky Seasonal Adjustments

Alert

1:09 PM Quick Selling Pressure At Year-End Trading Cut-Off

1:17 PM

Econ Data / Events

- ○ Continued Claims (Dec)/20
 - 1,866K vs -- f'cast, 1923K prev
- Jobless Claims (Dec)/27
 - 199K vs 220K f'cast, 214K prev

Market Movement Recap

08:34 AM losing ground after claims data. MBS down 3 ticks (.09) and 10yr up 2.1bps at 4.144

12:11 PM pushing back from weaker levels. MBS down only 1 tick (.03) and 10yr up 1.5bps at 4.138

01:09 PM Some quick year-end selling pressure. MBS down an eighth and 10yr up 3.4bps at 4.158

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")

- 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	4.160%	+0.037%
2 YR	3.473%	+0.024%
30 YR	4.840%	+0.034%
5 YR	3.718%	+0.040%

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