

MBS & TREASURY MARKETS

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MBS Recap: Token Year-End Volatility



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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 software interface. On the left, there's a 'TIME TICKING' section with a table of bond prices and yields for various maturities. The main area features three charts: a '20 Year Fixed 4.0' chart showing price, open, low, and high; a '10 Year Treasury' chart showing price, open, low, and high; and a '30 Year Treasury' chart showing price, open, low, and high. A large play button is overlaid on the charts. To the right, there's a 'LIVE NEWS STREAM' with a headline about the Fed's stimulus buyout of Fannie and Freddie. Below the charts, there's a 'LIVE & REPORTED PRICES' section with a table of reported prices for various bonds. On the far right, there's a 'MBS LIVE Chat' window with a list of messages from users like Glenn, Andy, and Michael, discussing bond levels and market conditions.

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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