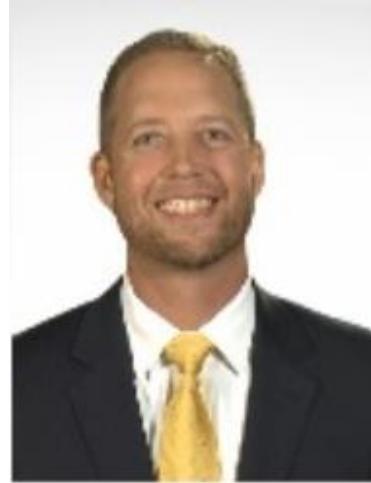


MBS & TREASURY MARKETS

Daily Coverage. Industry Leading Perspective.

MBS Recap: Flat Ending After Early Head Fake



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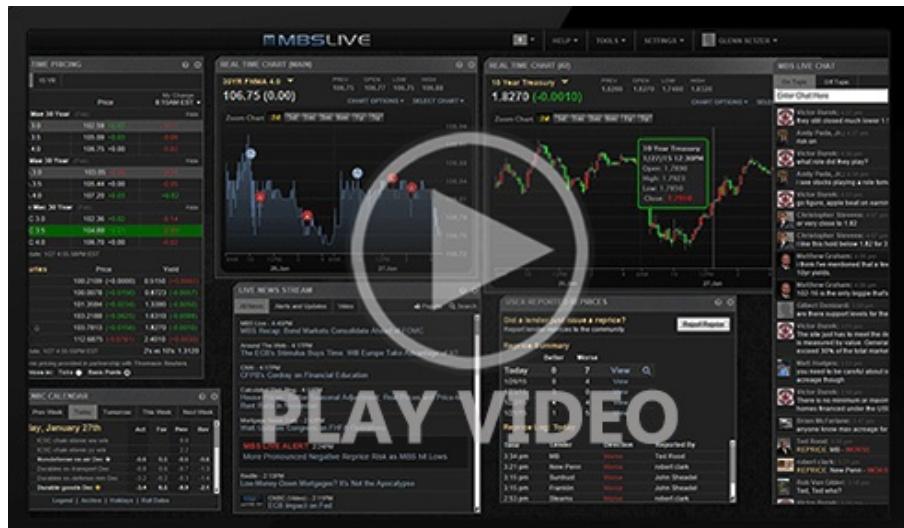
1400 Rocky Ridge Dr

Roseville C

Ending Near Unchanged Levels After Early Head Fake

MBS Recap Matthew Graham | 4:24 PM

Trading volumes confirm that bonds are 100% back in action, but after this morning's selling pressure proved to be a head fake, that volume hasn't translated to any meaningful momentum. This isn't too hard to accept considering the absence of big-ticket econ data. Things change on Wednesday with the release of ADP, JOLTS, and ISM. This is our first chance to see some actual data-driven volatility in several weeks.



MBS Morning

9:54 AM Volume is Back. Still Waiting on Volatility

Alert

11:14 AM Weakest Levels and Some Reprice Risk

4:03 PM

Econ Data / Events

- ◦ S&P Global Composite PMI (Dec)
 - 52.7 vs 53.0 f'cast, 54.2 prev
- S&P Global Services PMI (Dec)
 - 52.5 vs 52.9 f'cast, 54.1 prev

Market Movement Recap

09:43 AM Modestly weaker overnight and sideways so far. MBS down 2 ticks and 10yr up 1.2bps at 4.176

10:37 AM Weakest levels of the day on defense spending comments. MBS down an eighth and 10yr up 2.4bps at 4.187

01:27 PM Bouncing back now. MBS unchanged and 10yr up 1.6bps at 4.179

03:25 PM Holding sideways near unchanged levels in MBS, currently down 1 tick (.03). 10yr yields up 1.1bps at 4.174

Lock / Float Considerations

- The second half of the week brings a long-awaited glut of bigger-ticket data. The first hurdle is Wednesday morning's ADP, JOLTS, and ISM. Taken together, these introduce plenty of risk of a departure from the recent range, for better or worse. Risk-averse clients have an easy decision to make with average rates very close to long term lows.

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	4.163%	-0.001%
2 YR	3.459%	+0.002%
30 YR	4.851%	-0.002%
5 YR	3.703%	-0.002%

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