

# MBS & TREASURY MARKETS

Daily Coverage. Industry Leading Perspective.

## MBS Recap: Flat Ending After Early Head Fake



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## 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.





Watch the Video

## 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")
  - 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

## 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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