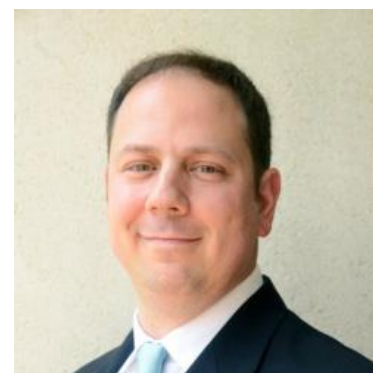


MBS & TREASURY MARKETS

Daily Coverage. Industry Leading Perspective.

MBS Recap: Wild Ride For MBS as Traders Digest New Developments

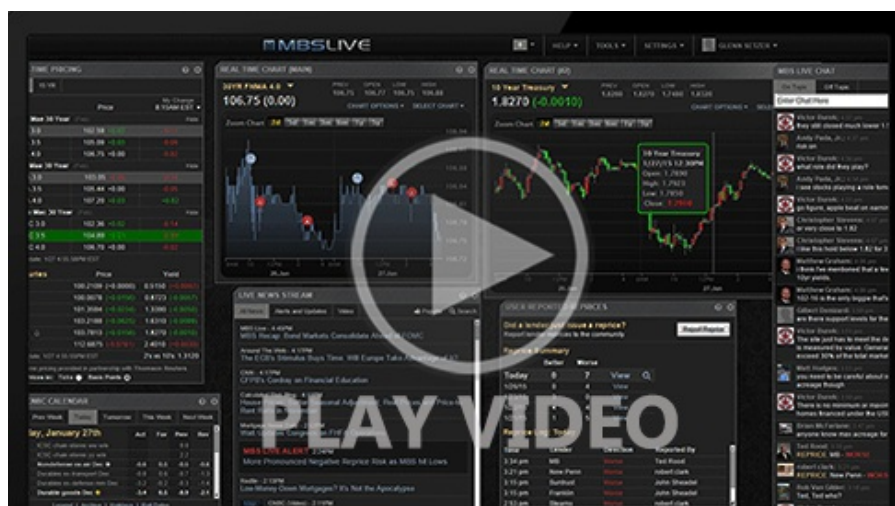


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Wild Ride For MBS as Traders Digest New Developments

MBS Recap | Matthew Graham | 4:15 PM

We may have been looking to the jobs report as this week's biggest potential source of volatility, but that changed on Thursday afternoon after Trump's \$200bln MBS buying announcement. Treasuries have only been able to watch from the sidelines. At one point this morning after the jobs data, Treasuries were several bps weaker while MBS were in the midst of their biggest rally in months (up more than a half point at the time). There was a rapid "distribution" phase following the initial rally, but prices bounced back to end the day up about a quarter point. Higher coupons are getting no love as they are not assumed to be in fashion as the new buying commences. Details continue to matter, and we'll continue to wait for more of them, but based on volume and volatility, MBS traders are taking this very seriously.



MBS Morning

8:40 AM Fairly Tame Jobs Report, MBS Have Magic Armor Either Way

Alert

9:36 AM MBS Rapidly Starting to Sober Up

Commentary

11:12 AM What's Up With The New MBS Buying Announcement and The Massive Reaction in The Market?

Alert

1:16 PM Heads Up: MBS Still Stronger But Well Off The Highs

2:12 PM

Econ Data / Events

- ○ Non Farm Payrolls (Dec)
 - 50K vs 60K f'cast, 64K prev
- Participation Rate (Dec)
 - 62.4% vs -- f'cast, 62.5% prev
- Unemployment rate mm (Dec)
 - 4.4% vs 4.5% f'cast, 4.6% prev

Market Movement Recap

- 08:31 AM Treasuries losing some ground after jobs report. up 2.2bps at 4.194. MBS up massively on the day still due to last night's Trump headlines.
- 09:30 AM 10yr up 2.2bps at 4.194. MBS still outperforming, but sobering up and now only up 6 ticks (.19).
- 09:49 AM Massive MBS volatility. More sobering up. 5.0 coupons now unchanged on the day. 10yr up 2.4bps at 4.195
- 10:05 AM Volatility continues. MBS back up a quarter point. 10yr up 1bp at 4.182
- 01:36 PM Volatility Continues. MBS were nearly back to unchanged, but are now back up a quarter point.

10yr down 0.5bps at 4.167

03:40 PM

Calming down and holding a more sideways range with MBS up 7 ticks (.22) and 10yr near unchanged at 4.174

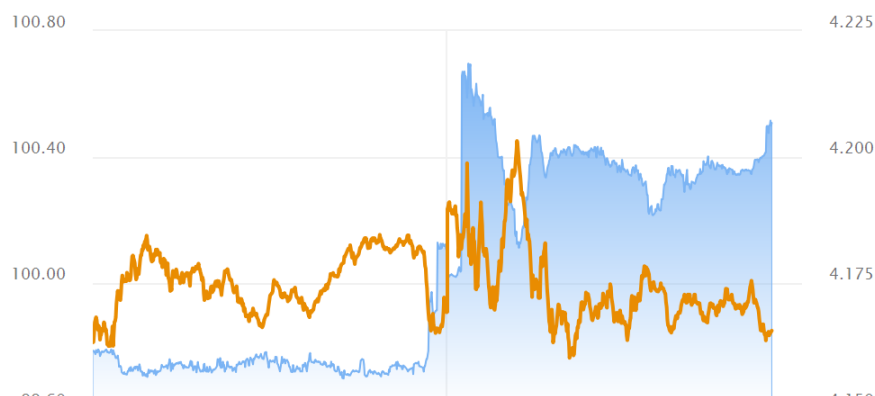
Lock / Float Considerations

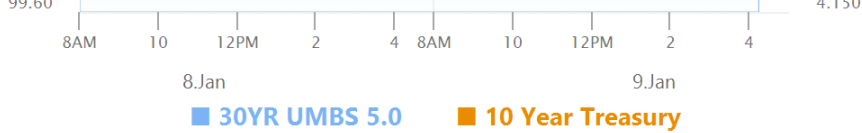
- It's a tricky time for lock/float consideration in the wake of the massive volatility brought about by the GSE MBS buying announcement and the market volatility that's followed. To be sure, the average lender is at the lowest rate in years today, unless they repriced for the worse this afternoon, in which case they're just at the lowest level in a year. Elevated volatility should be expected next week as we wait on--and perhaps receive--some more details. Lender price changes will likely be larger than normal and not all lenders will approach this with the same strategy. If the buying goes off as planned, rates likely have more downside ahead. But if there's any major change to the plan, the snap back to higher rates could be just as quick.

Technical/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

10 YR	4.165%	-0.007%
2 YR	3.532%	+0.046%
30 YR	4.816%	-0.023%
5 YR	3.748%	+0.011%

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