

## MBS Recap: Incidental Weakness Ahead of CPI Data



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## Incidental Weakness Ahead of CPI Data

**MBS Recap** | Matthew Graham | 4:15 PM

Bonds were marginally weaker on Monday with no obvious scapegoats in sight. Some reporters pointed toward Fed Chair Powell's criminal inquiry as rattling the market, but bonds were effectively unchanged in the 1pm hour after a well-received 10yr Treasury auction. More importantly, there was no clear correlation between the overnight news and the overnight market movement. Volume was the lowest in several days-- typical for a data-free Monday. MBS underperformed, but only because they're still range-finding after last week's massive outperformance. Tomorrow morning's trading deserves much more focus than anything seen today. CPI will be out at 8:30am ET and it is expected to be a more tradeable installment of the data compared to the last release (which proved to be questionable due to data collection constraints surrounding the shutdown/reopening timeline).

**PLAY VIDEO**

The screenshot displays the MBS LIVE interface with several windows open:

- REAL TIME PRICING:** Shows bond prices and yields for various maturities, including 10yr, 30yr, and 100yr.
- REAL TIME CHART (BOND):** A line chart showing the price of the 10 Year Treasury over time.
- REAL TIME CHART (10Y):** A line chart showing the price of the 10 Year Treasury over time.
- REAL TIME CHAT (10Y):** A live chat window for the 10 Year Treasury.
- LIVE NEWS STREAM:** A news feed with articles about bond markets consolidating after the FOMC meeting and the ECB's stimulus buy-off.
- REAL TIME REPORTER (REPRICE):** A window showing a reporter's live feed and a list of reporters.
- MBS LIVE ALERT:** A news alert about most firms' credit risk as MBS M/Lows.
- MBS CALENDAR:** A calendar for January 2020.

[Watch the Video](#)

## MBS Morning

10:29 AM Bond Market Only Marginally Interested in Powell Drama For Now

## Alert

2:49 PM Negative Reprice Risk Increasing

4:02 PM

## Market Movement Recap

- 08:54 AM Moderately weaker overnight but holding inside the range. 10yr up 1.9bps at 4.19. MBS down an eighth of a point.
- 11:56 AM No reaction to 3yr Treasury auction. 10yr up less than 1bp at 4.18 and MBS down just over an eighth of a point.
- 02:49 PM MBS down 9 ticks (.28) and 10yr up 1.5bps at 4.186

## Lock / Float Considerations

- Mortgage rates did a good job holding relatively steady over the weekend. Price volatility in MBS continues to settle relative to Treasuries and we should soon be back to a more normal level of correlation. Tuesday is all about event risk surrounding the CPI release. As always, volatility risk is a two way street depending on the outcome of the data. Either way, this installment stands a better chance of impacting rates compared to the last one.

## 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

## 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	4.188%	+0.017%
2 YR	3.541%	+0.013%
30 YR	4.840%	+0.025%
5 YR	3.764%	+0.013%

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