

# MBS & TREASURY MARKETS

Daily Coverage. Industry Leading Perspective.

## 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).

The screenshot shows the MBS Live interface with several data feeds and a video player. The video player has a large 'PLAY VIDEO' button overlaid. The data feeds include:

- TIME PAGING:** Shows bond prices for various maturities: 10yr, 30yr, 100yr, 300yr, 500yr, 1000yr, and 10000yr.
- REAL TIME CHART (10yr):** Price: 106.75 (0.00). The chart shows price action from 106.75 down to 106.70 over the last 24 hours.
- REAL TIME CHART (30yr):** Price: 1.8270 (-0.0010). The chart shows price action from 1.8270 down to 1.8260 over the last 24 hours.
- LIVE NEWS STREAM:** Headlines include: "MBS Live: Bond Markets Consolidate Around 100%," "The ECB Stimulus Buys Time, Will Europe Take Advantage?," and "CPI's Coming on Financial Education."
- GLOBAL REPORTER BY PRICE:** A table showing bond prices for various countries: United States, United Kingdom, Germany, France, Italy, Spain, and Australia.
- REAL TIME CHAT:** A live chat window with multiple users, including "Andy Powell" and "Michael DiLucchio".
- CALENDAR:** Shows events for January 27th, including "MBS Live: Bond Markets Consolidate Around 100%" and "CPI's Coming on Financial Education".
- ALERTS:** A section titled "MBS ALERT" with the message "More Pronounced Negative Response Risk as MBS Mt Lows".

## 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")
  - 4.48
  - 4.40
  - 4.34
  - 4.28
  - 4.19
  - 4.12
  - 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	4.188%	+0.017%
2 YR	3.541%	+0.013%
30 YR	4.840%	+0.025%
5 YR	3.764%	+0.013%

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