

# MBS & TREASURY MARKETS

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## MBS Recap: Some Asymmetric Risk When it Comes to Locking vs Floating



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## Some Asymmetric Risk When it Comes to Locking vs Floating

MBS Recap | Matthew Graham | 3:57 PM

Bonds improved today mostly in response to heavy stock losses creating some safe haven buying demand. Data wasn't heavily traded, but it didn't do any harm. Producer Prices were mixed, with an upward revision in September being offset by lower-than-expected inflation in November. Retail Sales (also November data) beat at the headline, but the control group (excludes autos/gas/building materials) was in line with estimates and October's number was revised lower. Despite the bond gains, mortgage rates were unchanged. This offers a potential clue about lenders being resistant to the notion of offering meaningful improvements from current levels in the short term.

The screenshot shows the MBS Live software interface. It includes a 'REAL TIME CHART (MAIN)' for the 30-Year Fannie 4.0, showing a price of 106.75 and a yield of 4.00%. Below it is a 'REAL TIME CHART (30Y)' for the 30-Year Treasury, showing a price of 1.06279 and a yield of 0.00%. A large play button is overlaid on the charts. To the left is a 'TIME PENCING' table for the 30-Year bond, showing various rates and yields. A 'GIVE NEWS STATION' section is at the bottom left, and a 'LIVE & REPORTED PRICES' section is at the bottom right. A 'LIVE CHAT' window on the right side of the screen shows a conversation between users.

Watch the Video

## MBS Morning

8:58 AM Today's Data is Proving Less Tradeable, But Doing No Harm

3:45 PM

## Econ Data / Events

- - o Core Producer Prices MM (Nov)
    - 0.0% vs 0.2% f'cast
  - o Core Producer Prices MM (Oct)
    - 0.3% vs 0.1% prev
  - o PPI YoY (Nov)
    - 3% vs 2.7% f'cast
  - o PPI YoY (Oct)
    - 2.8% vs 2.7% prev
  - o Producer Prices (Nov)
    - 0.2% vs 0.2% f'cast, 0.1% prev
  - o Producer Prices (Oct)
    - 0.1% vs 0.3% prev
  - o Retail Sales (Nov)
    - 0.6% vs 0.4% f'cast, 0% prev
  - o Retail Sales Control Group MoM (Nov)
    - 0.4% vs 0.4% f'cast, 0.8% prev

## Market Movement Recap

09:11 AM No major reaction to AM econ data. MBS up 1 tick (.03) and 10yr down 1.6bps at 4.165

11:23 AM Best levels of the day with MBS up 5 ticks (.16) and 10yr down 4.2bps at 4.138

01:58 PM Little changed from last update. MBS up 5 ticks (.16) and 10yr down 4.7bps at 4.133

## Lock / Float Considerations

- The absence of rate improvement despite bond market gains suggests some asymmetric risk for the lock/float outlook. On one hand, it could be viewed as lenders having a cushion to absorb any incidental weakness in the coming days. On the other hand, it also suggests lenders aren't keen to drop rates below current levels for a few days or without a more significant rally in bonds.

## 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	+

**US Treasuries**

10 YR	4.145%	-0.035%
2 YR	3.520%	-0.016%
30 YR	4.795%	-0.046%
5 YR	3.724%	-0.027%

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