

MBS & TREASURY MARKETS

Daily Coverage. Industry Leading Perspective.

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



Lance Levin
JFQ Lending
JFQlending.com
P: 4806660245
M: 4807720003

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.

PLAY VIDEO

The screenshot displays the MBS LIVE interface. On the left, there's a 'TIME PRICING' section with a table of rates for various bond maturities. The middle section features a 'REAL TIME CHART (MBS)' for the 30-Year FOMA 4.0, showing a price of 106.75 (0.00) with a chart of price movement over time. To the right is another 'REAL TIME CHART (BND)' for the 10-Year Treasury, showing a price of 1.8270 (-0.0010) with a similar price chart. Below these charts is a 'LIVE NEWS STREAM' with a headline about the ECB stimulus. On the far right is a 'LIVE CHAT' window where users are discussing bond prices and rates. A large 'PLAY VIDEO' button is overlaid in the center of the screen.

Watch the Video

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")

- 4.48
- 4.40
- 4.34
- 4.28
- 4.19
- 4.12
- 4.05

- Floor/Resistance

- 3.89
- 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	4.145%	-0.035%
2 YR	3.520%	-0.016%

30 YR

4.795%

-0.046%

5 YR

3.724%

-0.027%

[Open Dashboard](#)

[Share This](#)