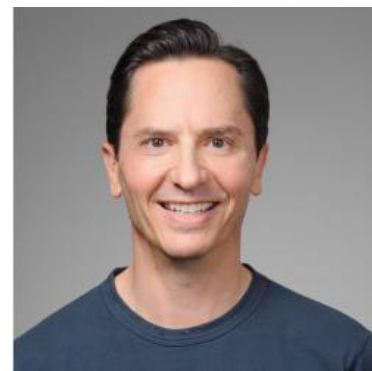


MBS & TREASURY MARKETS

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MBS Recap: Data-Driven Weakness



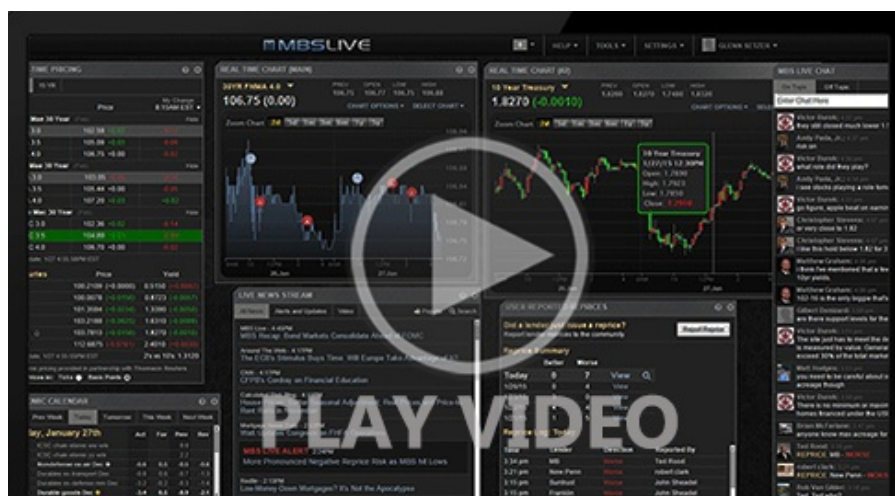
Julian Hebron
Founder, The Basis Point
<https://thebasispoint.com/>
San Francisco CA



Data-Driven Weakness

MBS Recap | Matthew Graham | 4:32 PM

It was a reasonably straightforward day for the bond market. Trading was flat overnight, then weaker after the 8:30am Jobless Claims data. That report is hit and miss as a market mover, but a sub-200k print without any recent seasonal spike is certainly worth a few bps of weakness. Impacts were most notable in Fed Funds Rate expectations, which have now fully eliminated any possibility for a January cut and lowered the probability of a March cut from over 40% last week to under 20% today. In the bigger picture, longer-term rates remain squarely range-bound and MBS remain broken out the top of their comparable range thanks to GSE purchases.



MBS Morning

8:40 AM Stronger Jobless Claims Leads to Early Selling

Alert

10:50 AM MBS Down an Eighth Since 9:30am ET

3:47 PM

Econ Data / Events

- ○ Continued Claims (Jan)/03
 - 1,884K vs 1890K f'cast, 1914K prev
- Jobless Claims (Jan)/10
 - 198K vs 215K f'cast, 208K prev
- NY Fed Manufacturing (Jan)
 - 7.70 vs 1 f'cast, -3.90 prev
- Philly Fed Business Index (Jan)
 - 12.6 vs -2 f'cast, -10.2 prev

Market Movement Recap

- 08:31 AM First move is weaker after lower jobless claims. MBS down an eighth and 10yr up 2.5bps at 4.157
- 10:50 AM Lows of the day after rebounding into the 9:30am hour. MBS down 6 ticks (.19) and 10yr up 2.6bps at 4.159
- 01:48 PM MBS down 6 ticks (.19) and 10yr up 2.1bps at 4.153
- 03:15 PM Weakest levels for Treasuries with 10yr up 3.2bps at 4.164. MBS still down 6 ticks (.19).

Lock / Float Considerations

- There were two ways to approach lock/float decisions yesterday afternoon (lenders who didn't reprice for the better had a bit of a cushion today, and it showed. Lenders who repriced were susceptible to

today's weakness). Contrast that to this afternoon where there's been little-to-no reprice activity and Friday's risk/reward profile is more balanced. Certainly, GSE MBS purchases offer some built-in insulation for risk-tolerant clients. But broader bond market bearishness and our nearness to multi-year lows in conventional rates present compelling lock opportunities for the risk-averse crowd.

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
- 15YR UMBS-15 5.0

US Treasuries

10 YR	4.171%	+0.039%
2 YR	3.566%	+0.056%

2 YR	3.566%	+0.056%
30 YR	4.795%	+0.013%
5 YR	3.769%	+0.061%

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