

# MBS & TREASURY MARKETS

Daily Coverage. Industry Leading Perspective.

## MBS Recap: Data-Driven Weakness



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## 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.

The screenshot displays the MBS LIVE software interface. The main window shows a 'REAL TIME CHART (MAIN)' for the 30-Year Treasury, with a price of 106.75 and a 0.00 change. Below the chart is a 'REAL TIME CHART (30Y)' for the 30-Year Treasury, showing a price of 1.06279 and a 0.0010 change. To the left, a 'REAL TIME CHART (30Y)' for the 30-Year MBS is shown with a price of 106.75 and a 0.00 change. The bottom left corner features a 'GIVE NEWS STATION' button. The bottom right corner shows a 'GO TO REPORTER'S PAGES' section with a 'Read More' button. The right side of the screen is a 'MBS LIVE CHAT' window with a list of messages from various users. The top of the screen has a 'TIME PRICING' section and a 'HELP', 'TOOLS', 'SETTINGS', and 'LOGOUT' menu.



Watch the Video

## 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 fcast, 1914K prev
  - Jobless Claims (Jan)/10
    - 198K vs 215K fcast, 208K prev
  - NY Fed Manufacturing (Jan)
    - 7.70 vs 1 fcast, -3.90 prev
  - Philly Fed Business Index (Jan)
    - 12.6 vs -2 fcast, -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% |
| 30 YR | 4.795% | +0.013% |
| 5 YR  | 3.769% | +0.061% |

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