

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. It includes several windows: a 'REAL TIME CHART (MAIN)' showing the 30-Year Treasury at 106.75 (0.00), a 'REAL TIME CHART (30Y)' showing the 30-Year Treasury at 1.0270 (0.0010), a 'REAL TIME CHART (10Y)' showing the 10-Year Treasury at 1.2700 (0.0010), a 'REAL TIME CHART (5Y)' showing the 5-Year Treasury at 1.7000 (0.0010), and a 'REAL TIME CHART (2Y)' showing the 2-Year Treasury at 1.7500 (0.0010). The 'GIVE ME NEWS' window shows a news feed with headlines like 'MBS Live: Fed's Bond Market Consolida...'. The 'PLAY VIDEO' button is overlaid in the center of the interface. The bottom right corner shows a live feed of a video conference with multiple participants.

Watch the Video

MBS Morning

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%
30 YR	4.795%	+0.013%
5 YR	3.769%	+0.061%

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