

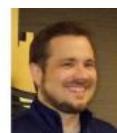
# MBS & TREASURY MARKETS

Daily Coverage. Industry Leading Perspective.

## MBS Recap: 10yr Yields Finally Break The Range



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## 10yr Yields Finally Break The Range

**MBS Recap** | Matthew Graham | 4:27 PM

Despite an absence of market movers on the calendar, bonds found a reason to move. In fact, 10yr yields staged their first legit breakout from the narrow trading range of the past 4 months. Whether that has any implications for the future is a debate for technical analysts to have with fundamental traders. There was an extra little jolt of mid-day weakness when Trump suggested Hassett was out of the running for the Fed Chair nomination, but the day's bond losses would still be better-characterized as gradual and non-event-driven. MBS outperformed yet again for the same old reason (actual and/or anticipated GSE MBS purchases), but nonetheless ended the week at the lows.

The screenshot shows the MBS Live software interface. It includes a 'REAL TIME CHART' for the 10-Year Treasury, a 'LIVE NEWS STREAM', and a 'LIVE REPORTS & PRICES' section. A large 'PLAY VIDEO' button is overlaid on the charts. The video player shows a play button and a progress bar. The news stream includes a headline about the Fed's stimulus buyout of Fannie and Freddie. The price and yield charts show the 10-Year Treasury's movement from approximately 1.0675% to 1.0627% over the week.

## MBS Morning

10:38 AM Slow Start, Quiet Calendar

Alert

10:51 AM Negative Reprice Risk Increasing

Alert

2:10 PM Negative Reprice Risk Picking Up a Bit

4:14 PM

## Econ Data / Events

- ◦ Industrial Production (Dec)
  - 0.4% vs 0.1% f'cast, 0.2% prev

## Market Movement Recap

10:58 AM Losing ground from flat, opening levels. MBS down 5 ticks (.16) and 10yr up 4.1bps at 4.215.

12:48 PM Off the weakest levels in MBS, now down 3 ticks (.09). 10yr near weakest levels, up 4bps at 4.214

02:18 PM Down to new lows. MBS down 5 ticks (.16) and 10yr up 5.6bps at 4.23

## Lock / Float Considerations

- Mortgage rates have clearly met with some resistance when attempting to break below an index level of 6.0% and they pushed up to the highest levels of the week by Friday. With a long weekend ahead and Treasuries finally breaking the naughty side of their trading range, risk-aversion is an easier case to make. That said, some of this weakness may have simply been position squaring ahead of a 3-day weekend.

## 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	4.228%	+0.054%
2 YR	3.597%	+0.030%
30 YR	4.838%	+0.040%
5 YR	3.822%	+0.054%

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