

MBS & TREASURY MARKETS

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MBS Recap: 10yr Yields Finally Break The Range



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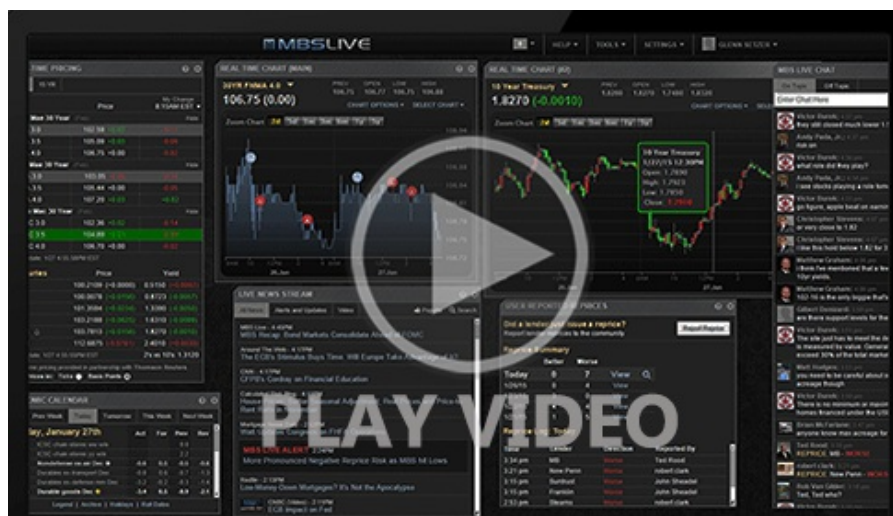
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10yr Yields Finally Break The Range

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.



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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