

# MBS & TREASURY MARKETS

Daily Coverage. Industry Leading Perspective.

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



### Russell Baboff

VP, Mortgage Banker,  
William Raveis Mortgage,  
LLC

[www.raveis.com/.../officerprofile.asp](http://www.raveis.com/.../officerprofile.asp)

**P:** (860) 463-1745

**M:** (860) 463-1745

7 Trap Falls Road  
Shelton CT 06117  
1014636



### Mary Chappano

Sales Associate, CHP,  
William Raveis Real Estate

[www.raveis.com/.../16755](http://www.raveis.com/.../16755)

**M:** (860) 748-6960

[Mary.Chappano@raveis.com](mailto:Mary.Chappano@raveis.com)

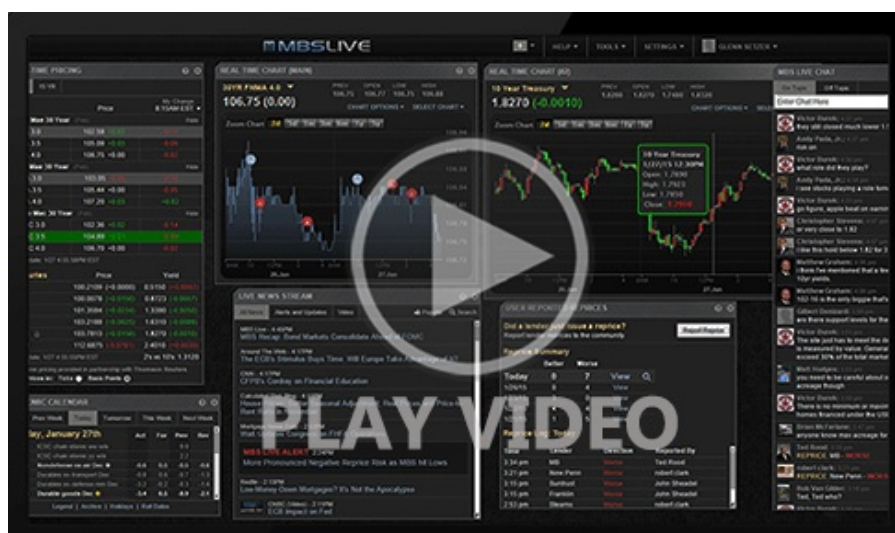
200 West Main Street  
Avon CT 06001

**WILLIAM RAVEIS**

# 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 Hasset 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.



Watch the Video

## 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")
  - 4.48
  - 4.40
  - 4.34
  - 4.28
  - 4.19
  - 4.12
  - 4.05
- **Floor/Resistance**
  - 3.89
  - 3.97



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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