

# MBS & TREASURY MARKETS

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## MBS Recap: Range Breakout Intensifies. Chicken or Egg?

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## Range Breakout Intensifies. Chicken or Egg?

MBS Recap | Matthew Graham | 4:50 PM

After months spent observing the same old range in the bond market, we're finally in the throes of a confirmed breakout. Unfortunately, the breakout has seen 10yr yields surge almost 10bps above the range ceiling in just 2 days. Technical analysts are high fiving each other because this is a classic breakout event (higher volume, sharper movement in the direction of the breakout). Fundamental traders are saying "not so fast" because there's nothing to say bonds couldn't be in decent shape today without fiscal drama in Japan or spiraling geopolitical tension over Greenland. We got unequivocal confirmation of the latter today when a Danish pension fund said it was pulling out of US Treasuries. That marked the day's biggest volume spike and sharpest selling.

The screenshot displays the MBS LIVE interface. On the left, a 'TIME PRICING' section shows bond yields for various maturities, including 10yr, 30yr, and 30yr 20yr. The 10yr yield is currently at 1.0675 (0.00). In the center, a 'REAL TIME CHART (10Y)' shows price action with a red circle highlighting a recent peak. To the right, a '10 Year Treasury' chart shows a price of 1.8270 (-0.0010). A large video player overlay in the center of the screen displays the text 'PLAY VIDEO'. Below the charts, a 'LIVE NEWS STREAM' provides updates on economic data and market news. A 'GSCA REPORTED PRICES' table lists various bond yields. On the far right, a 'MBS LIVE CHAT' window shows a conversation between users. A 'PLAY VIDEO' button is prominently displayed in the center of the video player overlay.

Watch the Video

MBS Morning

9:36 AM Bonds Brace For Greenland Fallout. Japan Not Helping Either

1:47 PM Down by Just Over an Eighth From Highs

3:58 PM

## Econ Data / Events

- - ADP weekly jobs
    - 8k vs 11.25k prev

## Market Movement Recap

08:37 AM Sharply weaker overnight as bonds brace for fallout with Europe over Greenland push. 10yr up 6.1bps at 4.285. MBS down nearly 3/8ths of a point.

10:43 AM Bouncing back a bit. MBS down 5 ticks (.16) and 10yr up 4.7bps at 4.27

01:47 PM MBS now down 10 ticks (.31) on the day and almost 6 ticks (.19) off intraday highs. 10yr up 6.2bps at 4.286. No new drama. Just gradual selling.

## Lock / Float Considerations

- Bonds positioned for geopolitical risk over the 3-day weekend, but apparently not enough. Lock/float risks remain asymmetric as a result (rallies would more likely be modest/gradual whereas sell-offs could be faster-paced). This is not directional guidance--merely an assessment that "bad stuff" would probably hurt more than the "good stuff" would help in the near term.

## 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 & Treasury Markets



### MBS

- 30YR UMBS 5.0
- 30YR UMBS 5.5
- 30YR GNMA 5.0
- 15YR UMBS-15 5.0

### US Treasuries

10 YR	4.294%	+0.071%
2 YR	3.597%	+0.012%
30 YR	4.922%	+0.086%
5 YR	3.860%	+0.045%

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