# MBS Recap: Bonds Erase Most of The Overnight Weakness

Brandon Snider
Loan Officer, Maven Mortgage
M: (256) 694-7514
105 1st Ave NE
Cullman AL 35055
181033

## Bonds Erase Most of The Overnight Weakness

MBS Recap Matthew Graham | 4:05 PM

Thursday could be viewed two ways. On one hand, bonds lost ground early and were unable to recover it by the 3pm close. On the other hand, there was a decent rally on Wednesday that set a high bar for additional gains.  In other words, it's a victory to merely hold close to yesterday's closing levels. Data passed without a trace, either because it was stale, near consensus, or both. There was better buying in the afternoon--a fact that's consistent with our observation that the EU session had an impact today.  The afternoon bond market recovery commenced when EU markets closed. Correlation, yes, but not necessarily causality.


Watch the Video

MBS Morning

9:39 AM No Reaction to Early Data, But Slightly Weaker Overnight

3:50 PM

## Econ Data / Events

- Continued Claims (Jan)/10
  - 1,849K vs -- f'cast, 1884K prev
- Core PCE Prices QoQQ3
  - 2.90% vs 2.9% f'cast, 2.6% prev
- Corporate profitsQ3
  - 4.7% vs 4.4% f'cast, 0.2% prev
- GDPQ3
  - 4.4% vs 4.3% f'cast, 3.8% prev
- GDP Final SalesQ3
  - 4.5% vs 4.6% f'cast, 7.5% prev
- Jobless Claims (Jan)/17
  - 200K vs 212K f'cast, 198K prev
- PCE Prices (Q/Q)Q3
  - 2.8% vs 2.8% f'cast, 2.1% prev
- Core PCE (m/m) (Nov)
  - 0.2% vs 0.2% f'cast, 0.2% prev
- Core PCE (y/y) (Nov)
  - 2.8% vs 2.8% f'cast, 2.7% prev
- PCE (y/y) (Nov)
  - 2.8% vs 2.8% f'cast, 2.7% prev
- PCE prices (m/m) (Nov)
  - 0.2% vs 0.2% f'cast, 0.2% prev

## Market Movement Recap

08:34 AM Modestly weaker overnight and no reaction to AM data so far. MBS down an eighth and 10yr up 1.7bps at 4.258

10:30 AM No major reaction to PCE data. MBS still down an eighth and 10yr up 2bps at 4.261

12:37 PM Bouncing back a bit. MBS down only 2 ticks (.06) and 10yr up only 1.3bps at 4.254

03:22 PM MBS down 3 ticks (.09) and 10yr up 0.8bps at 4.249

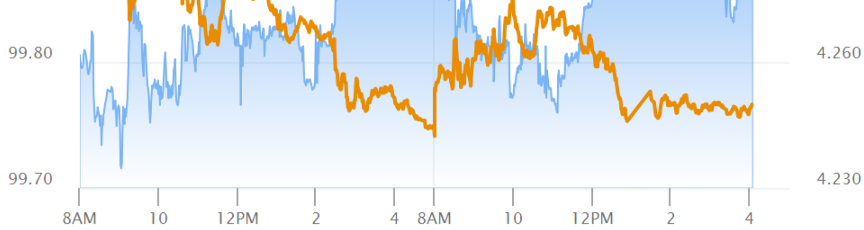
## Lock / Float Considerations

- Geopolitical risks began to ebb on Wednesday with potential Greenland de-escalation. This helps resolve and rebalance the asymmetric risk we noted on Tuesday. Bonds have been reasonably flat since then and data hasn't been notable. For risk-averse clients, it's worth remaining defensive until we can rule out an aftershock to Tuesday's sell-off. Either way, one of two things is required for a meaningful push back toward lower rates: more selling to set an entry point for buyers, or legitimate deterioration in big ticket data (and there's none on the horizon until the first week of February).

## 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 | 4.250% | +0.009% |
| 2 YR | 3.612% | +0.024% |
| 30 YR | 4.844% | -0.016% |
| 5 YR | 3.849% | +0.027% |

Open Dashboard

Share This