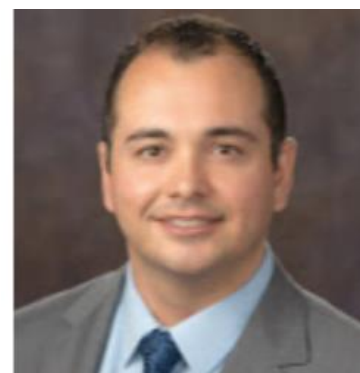


MBS & TREASURY MARKETS

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MBS Recap: Uneventful Conclusion to a Volatile Week



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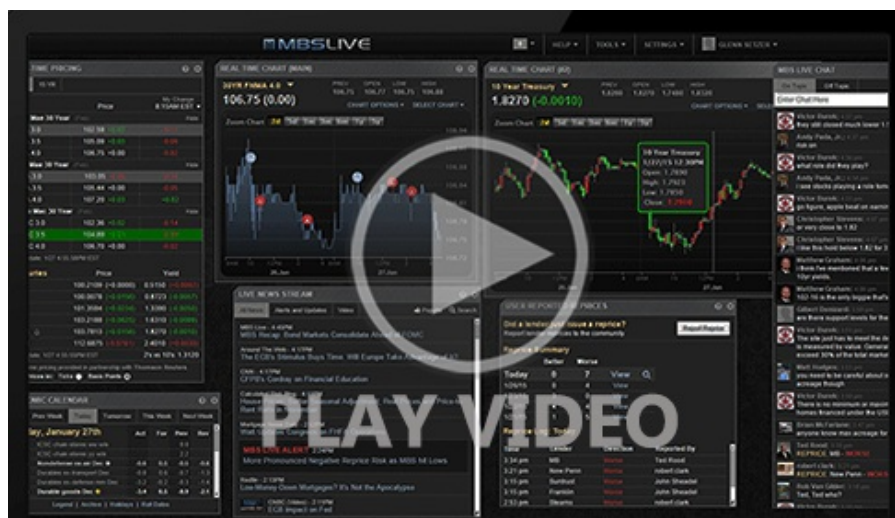
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Uneventful Conclusion to a Volatile Week

MBS Recap | Matthew Graham | 4:45 PM

Bonds put in a decent day on Friday, ultimately getting back into positive territory and the best closing levels of the week. Yields were almost perfectly in line with last Friday's. Overall, most of the past 3 days have been uneventful, but Tuesday's range breakout meant it was a volatile week overall. MBS and mortgage rates enjoyed ample insulation against that breakout thanks to recent outperformance driven by GSE MBS purchases (both actual and anticipated). The Fed is on deck next week, but with a zero percent chance of a rate cut. True big ticket data won't return until the week after next.



MBS Morning

9:41 AM Mostly Sideways to Start. Light Econ Calendar

Alert

12:53 PM Weakest Levels. MBS Down an Eighth From Highs

3:05 PM

Econ Data / Events

- ○ S&P Global Composite PMI (Jan)
 - 52.8 vs -- f'cast, 52.7 prev
- S&P Global Manuf. PMI (Jan)
 - 51.9 vs 52 f'cast, 51.8 prev
- S&P Global Services PMI (Jan)
 - 52.5 vs 52.8 f'cast, 52.5 prev
- Consumer Sentiment (Jan)
 - 56.4 vs 54.0 f'cast, 52.9 prev
- Sentiment: 1y Inflation (Jan)
 - 4.0% vs 4.2% f'cast, 4.2% prev
- Sentiment: 5y Inflation (Jan)
 - 3.3% vs 3.4% f'cast, 3.2% prev
- U Mich conditions (Jan)
 - 55.4 vs 52.4 f'cast, 50.4 prev

Market Movement Recap

- 09:27 AM Modestly stronger overnight, but gains erased at the open. MBS down 1 tick (.03) and 10yr up about half a bp at 4.248
- 11:29 AM Still mostly sideways. MBS unchanged and 10yr basically unchanged (up 0.3bps) at 4.245
- 01:09 PM Near weakest levels with MBS down 2 ticks (.06) and 10yr up 1.6bps at 4.258
- 03:05 PM Back and forth volatility over the past hour but now back in positive territory. MBS up 1 tick (.03) and 10yr up half a bp at 4.257

Lock / Float Considerations

- Mortgage rates have some insulation against broader bond market sell-offs due to GSE MBS purchases, but barring a big Treasury rally, the lower limit of the mortgage rate range was established in early January. One of two things is required for a meaningful push back toward lower rates: more selling to set an entry point for bond 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")
 - 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 UMBES 5.0

+

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

US Treasuries

10 YR	4.230%	-0.012%
2 YR	3.596%	-0.006%
30 YR	4.830%	-0.004%
5 YR	3.829%	-0.013%

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