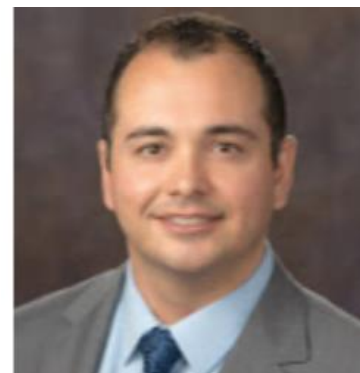


MBS & TREASURY MARKETS

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MBS Recap: Bonds End Up Little-Changed. Other Markets May Have Helped



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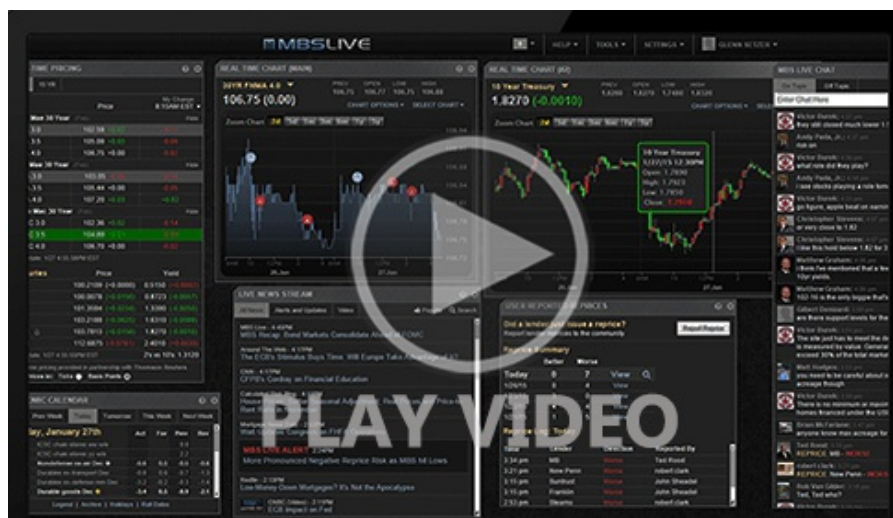
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Bonds End Up Little-Changed. Other Markets May Have Helped

MBS Recap | Matthew Graham | 4:34 PM

Bonds began the day with a bit of selling pressure. It was almost too small to draw much attention to. MBS never dropped below yesterday's lows and 10yr yields merely moved back up to overnight highs (also, no higher than yesterday's highs). In other words, it was "in-range weakness"--the kind of thing we often view as incidental and inconsequential. Shortly after the 9:30am NYSE open, stocks tanked hard along with several of the recently volatile commodities. Bonds benefited from that selling, but didn't lose any ground after the stock/commodities move reversed.



Alert

9:38 AM Down an Eighth From Highs

MBS Morning

9:51 AM Weaker After Econ Data, But Bonds May Be Looking Elsewhere

4:11 PM

Econ Data / Events

- ○ Continued Claims (Jan)/17
 - 1,827K vs 1860K f'cast, 1849K prev
- Jobless Claims (Jan)/24
 - 209K vs 205K f'cast, 200K prev

Market Movement Recap

08:40 AM No reaction to AM econ data. MBS down 1 tick (.03) and 10yr up less than half a bp at 4.246.

09:51 AM MBS down an eighth and 10yr up 1.1bps at 4.253 after mystery, mini-sell-off levels off.

01:09 PM No reaction to 7yr auction. 10yr yield down 1bp at 4.233 and MBS unchanged.

03:39 PM Sideways near stronger levels in Treasuries with 10yr down 1.4bps at 4.228. MBS roughly unchanged.

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

US Treasuries

10 YR	4.233%	-0.009%
2 YR	3.559%	-0.009%
30 YR	4.855%	-0.001%
5 YR	3.813%	-0.014%

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