

# MBS & TREASURY MARKETS

Daily Coverage. Industry Leading Perspective.

## MBS Recap: Volatility Eludes Bonds



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## Volatility Eludes Bonds

MBS Recap | Matthew Graham | 4:35 PM

Bonds saw some steady selling pressure earlier in the week, but with the total damage amounting to an average of 2bps per day in 10yr yields, it was anything but volatile. The past 2 trading sessions had more noticeable ups and downs, but they played out in an even narrower range. Friday, specifically, was woefully range-bound with 10yr yields essentially in a 2bp range all day. Balmy PPI data and Fed Chair decisions and historic volatility in certain commodities didn't make any difference. Even the 3pm ET month-end trading barely registered a response despite the typical surge in volume (by far the highest minutes of volume of every month). Next week brings the big ticket econ data and thus a chance for some legit data driven volatility.

The image shows the MBS Live software interface. On the left, there's a 'TIME PRICING' section with a table of bond yields for various maturities. The middle section features a 'REAL TIME CHART (BOND)' for the 10-Year Treasury, showing price, open, low, and high over a 30-day period. A play button is overlaid on this chart. To the right is a 'REAL TIME CHART (100)' for the 10-Year Treasury, also showing price, open, low, and high. Below these charts is a 'LIVE NEWS STREAM' with a news item about the Fed's stimulus. At the bottom, there's a 'STOCK REPORTER & PRICES' section with a 'Report' button and a 'CHAT' window on the right containing a list of messages. A large 'PLAY VIDEO' button is overlaid across the bottom of the interface.



[Watch the Video](#)

## Alert

8:35 AM PPI MUCH Higher Than Expected. Limited Selling So Far

## MBS Morning

10:03 AM Why Don't Bonds Care About The Massive Miss in PPI?

4:20 PM

## Econ Data / Events

- - o Core Producer Prices MM (Dec)
    - 0.7% vs 0.2% f'cast, 0% prev
  - o PPI YoY (Dec)
    - 3.0% vs 2.7% f'cast, 3% prev
  - o Producer Prices (Dec)
    - 0.5% vs 0.2% f'cast, 0.2% prev

## Market Movement Recap

08:39 AM MBS down about an eighth and 10yr up 1.6bps at 4.252

12:22 PM MBS down 2 ticks (.06). 10yr up 1.5bps at 4.251

02:34 PM Near strongest levels with MBS down only 1 tick (.03) and 10yr close to unchanged at 4.238

04:19 PM Volatility remains elusive into the close. MBS down 2 ticks (.06) and 10yr up up 0.7bps at 4.243

## 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 with the first batch of February data).

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	4.242%	+0.006%
2 YR	3.525%	-0.035%
30 YR	4.875%	+0.020%
5 YR	3.794%	-0.023%

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