

MBS & TREASURY MARKETS

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MBS Recap: Data-Driven Sell-Off Dominates The Day. No Jobs Report on Friday



Felicia Morales

Broker Owner, Lumina Real Estate & Lending

<https://luminarealestate.com/>

P: (951) 760-8307

felicia@luminabroker.com

DRE 01471238

NMLS 334006

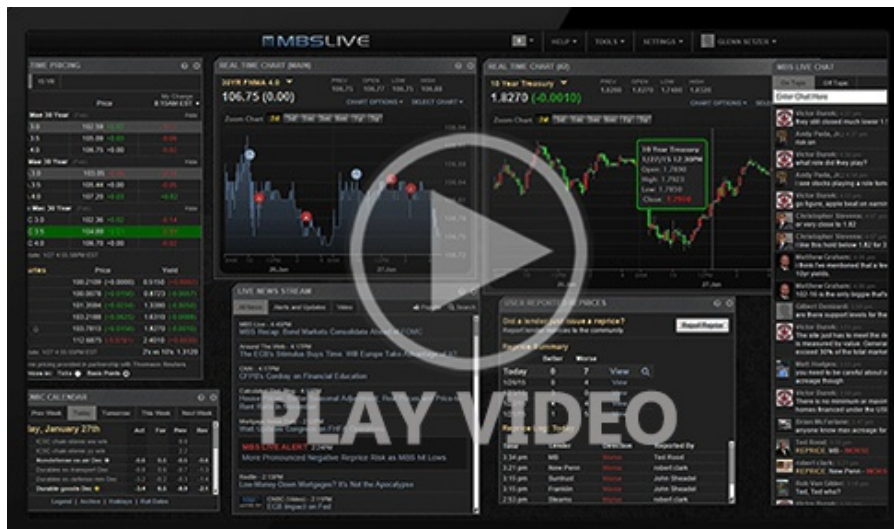


Data-Driven Sell-Off Dominates The Day. No Jobs Report on Friday

MBS Recap | Matthew Graham | 4:13 PM

Very little changed after this morning's commentary. At the time, we were watching bonds sell-off somewhat sharply in response to an exceptionally strong ISM Manufacturing report. As is often the case with data-driven selling sprees, the worst was over in the first 10 minutes and the rest of the day was broadly sideways. That said, it wasn't without its interesting updates. Chief among them was news that

...broadly sideways. That said, it wasn't without its updates. Chief among them was news that this Friday's jobs report would be postponed due to the government shutdown (and same story with tomorrow's JOLTS data).



Watch the Video

Alert

10:04 AM Selling Off After ISM Data

MBS Morning

10:19 AM Big Beat in ISM Manufacturing. Bonds Aren't Thrilled

3:47 PM

Econ Data / Events

- - ISM Manufacturing Employment (Jan)
 - 48.1 vs -- f'cast, 44.9 prev
 - ISM Manufacturing PMI (Jan)
 - 52.6 vs 48.5 f'cast, 47.9 prev
 - ISM Mfg Prices Paid (Jan)
 - 59.0 vs 60.5 f'cast, 58.5 prev

Market Movement Recap

08:41 AM roughly unchanged after bonds give up overnight gains in early trading. MBS down 2 ticks (.06) and 10yr up half a bp at 4.24

12:02 PM much weaker after ISM, but flat after initial reaction. MBS down 6 ticks (.19) and 10yr up 3.9bps at 3.828

03:28 PM Treading water near weakest levels. MBS down 6 ticks (.19) and 10yr yr up 4.2bps at 3.831

Lock / Float Considerations

- Ironically, we've spent the last few weeks waiting on the present week to deliver big ticket econ data only to find that at least 2 of the biggest reports will be delayed due to the government shutdown. Other data can carry plenty of weight, however, as seen with Monday's ISM reaction. Wednesday is the next focal point with ISM Services and ADP.

Technical/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 | 4.281% | +0.046% |
| 2 YR | 3.574% | +0.044% |
| 30 YR | 4.912% | +0.039% |
| 5 YR | 3.839% | +0.050% |

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