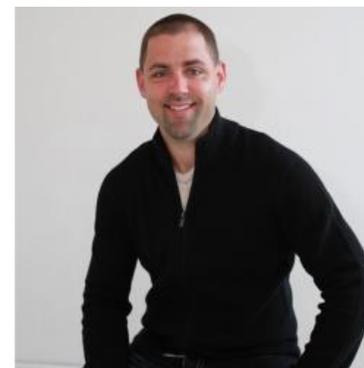


MBS & TREASURY MARKETS

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MBS Recap: Potential Signs of GSE Buying as MBS Outperform



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Potential Signs of GSE Buying as MBS Outperform

MBS Recap | Matthew Graham | 3:00 PM

It was an uneventful day when it comes to scheduled data/events, and also pretty boring for the bond market in general. Most of the market's volatility continues playing out in stocks, commodities, crypto, etc. The most notable development for our area of focus was the MBS outperformance. Specifically, MBS were up about 2 ticks (.06) in price in the 2pm hour while 5 and 10yr Treasuries were down at least 6 ticks (.19) in price. Some of the Treasury weakness could be viewed as an artificial byproduct of yesterday afternoon's Treasury-specific late-day rally, but even if we factor that out, MBS are still outperforming. With no official buying schedule/report from GSEs, such instances of outperformance are some of the only clues we have as to MBS purchases taking place. This doesn't matter for any particular reason, but it addresses a frequently asked question.





Watch the Video

MBS Morning

9:53 AM Waiting on Next Week's Data

12:57 PM

Econ Data / Events

- ○ Consumer Sentiment (Feb)
 - 57.3 vs 55 f'cast, 56.4 prev
- Sentiment: 1y Inflation (Feb)
 - 3.5% vs -- f'cast, 4% prev
- Sentiment: 5y Inflation (Feb)
 - 3.4% vs -- f'cast, 3.3% prev
- U Mich conditions (Feb)
 - 58.3 vs 54.9 f'cast, 55.4 prev

Market Movement Recap

- 08:34 AM modestly weaker overnight. MBS down 2 ticks (.06) and 10yr up 1.9bps at 4.199
- 11:14 AM MBS outperforming as Treasuries weaken. 10yr up 3.7bps at 4.217. MBS still down only 2 ticks (.06).
- 02:30 PM Best levels of the day for MBS, up 1 tick (.03). 10yd down 2.9bps at 4.21

Lock / Float Considerations

- Thursday's labor market data got bonds moving in a more serious way. There is no remaining big ticket data this week, but the clear implication is for next Wednesday's jobs report to either endorse a move

back into the previous range or reinforce the recent breakout.

NOTE: we mentioned a tactical overnight float opportunity for certain lenders in yesterday's lock/float commentary. This worked perfectly for those lenders who didn't have stronger pricing yesterday. A similar pattern is playing out on Friday, but to a much smaller extent. Bottom line, if you don't see a positive reprice this afternoon, you'll have a few ticks of insulation heading into Monday's rate sheets. Definitely a riskier proposition considering the potential for over-the-weekend geopolitical volatility.

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 | 4.204% | +0.024% |
| 2 YR | 3.496% | +0.044% |
| 30 YR | 4.854% | +0.009% |
| 5 YR | 3.754% | +0.038% |

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