

# MBS & TREASURY MARKETS

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## MBS Recap: Bonds Close Out Epic Week of Resilience With Friendly Data



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## Bonds Close Out Epic Week of Resilience With Friendly Data

**MBS Recap** Matthew Graham | 4:13 PM

Friday was a logically friendly day thanks to slightly lower CPI. But no matter what happened on any of the other 4 days, this week was all about bonds ending up at much stronger levels in spite of a jobs report that should have sent rates higher on Wednesday. Ironclad justification remains impossible, but the leading theory involves heavy liquidation mode in stocks/commodities on Thursday. Holiday weekend positioning could also be a factor. As such, we'll learn a lot more next Tuesday--especially if stocks find a reason to stage a big bounce.





Watch the Video

## Update

8:32 AM First Move is Stronger After CPI

## MBS Morning

9:55 AM Bonds Rally, Ignoring Surge in SuperCore CPI

2:24 PM

## Econ Data / Events

- ○ m/m CORE CPI (Jan)
  - 0.3% vs 0.3% f'cast, 0.2% prev
- m/m Headline CPI (Jan)
  - 0.2% vs 0.3% f'cast, 0.3% prev
- y/y CORE CPI (Jan)
  - 2.5% vs 2.5% f'cast, 2.6% prev
- y/y Headline CPI (Jan)
  - 2.4% vs 2.5% f'cast, 2.7% prev

## Market Movement Recap

- 12:45 PM Stronger After CPI and sideways since then. MBS up roughly and eighth and 10yr down 4bps at 4.06
- 01:52 PM Losing ground modestly. MBS still up 2 ticks (.06) and 10yr still down 3.5bps at 4.066
- 02:58 PM MBS up an eighth and 10yr down 4.7bps at 4.053

## Lock / Float Considerations

- Thursday night was a coin flip for locking/floating. It ended up being rate-friendly thanks to CPI, but the moderate gains suggest the mystery momentum that fueled an impressive week for bonds is starting to wane. Risk-averse clients continue to favor locking in these scenarios--especially with rates basically matching 3.5-year lows. Risk-tolerant clients have that much more room to set overhead lock triggers.

## 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 | 4.049% | -0.051% |
| 2 YR  | 3.409% | -0.044% |
| 30 YR | 4.696% | -0.041% |
| 5 YR  | 3.603% | -0.053% |

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