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



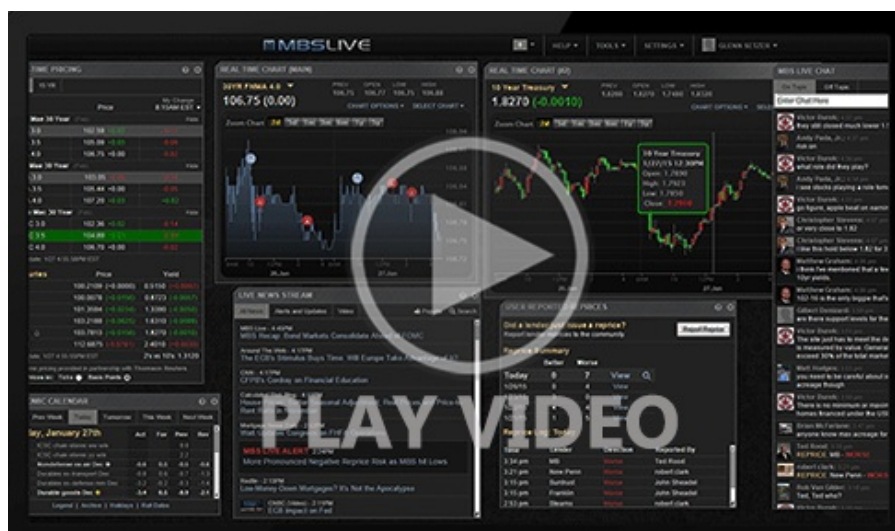
Nick Hunter
President, Owner, River
City Mortgage, LLC
www.rchomeloans.com



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.



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 an 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")

- 4.48
- 4.40
- 4.34
- 4.28
- 4.19
- 4.12
- 4.05

- Floor/Resistance

- 3.89
- 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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