

MBS & TREASURY MARKETS

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



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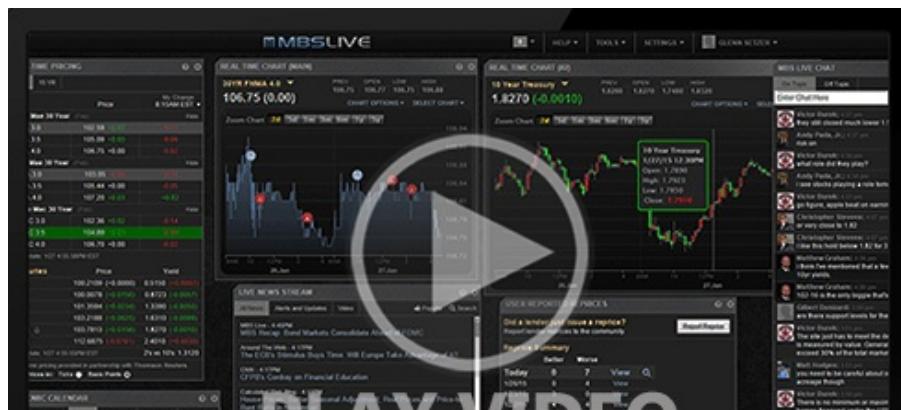
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Bonds Close Out Epic Week of Resilience With Friendly Data

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.



The screenshot shows the MBS Live software interface. The main window displays a 'REAL TIME CHART (MAIN)' for the 30 Year Treasury, showing a price of 106.75 (0.00). Below the chart is a 'LIVE NEWS STREAM' with a play button overlay. The stream includes headlines such as 'MBS Live: Fed's Powell, Yellen, and Lael Brainard to speak at the CFA Institute's 2018 Annual Conference' and 'Andy Puddicombe: How to be happy in 2018'. To the right is a 'REAL TIME CHART (10)' for the 10 Year Treasury, showing a price of 1.8270 (0.0010). The bottom of the screen features a 'MBS LIVE CHAT' window with a list of messages from users like 'Andy Phillips' and 'Andy Puddicombe'. A 'PLAY VIDEO' button is prominently displayed at the bottom.



[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% fcast, 0.2% prev
- m/m Headline CPI (Jan)
 - 0.2% vs 0.3% fcast, 0.3% prev
- y/y CORE CPI (Jan)
 - 2.5% vs 2.5% fcast, 2.6% prev
- y/y Headline CPI (Jan)
 - 2.4% vs 2.5% fcast, 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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