MBS & TREASURY MARKETS
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MBS Recap: Calm Start Even if Modestly Weaker

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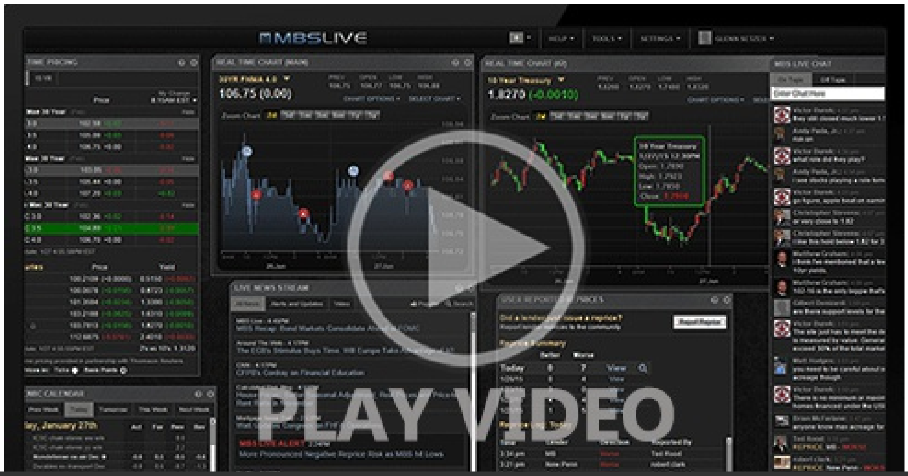
Calm Start Even if Modestly Weaker

MBS Recap Matthew Graham | 4:26 PM

The day before and/or after a 3-day weekend is more volatile than the average weekend-adjacent trading day. Last Friday fit that bill but today could have been mistaken for a summertime Monday (despite being a wintertime Tuesday). There were no significant reports and the available Fed comments weren't actionable. After nearly touching 4.0% in the overnight session, 10yr yields climbed slowly to 4.06 by 10am and then held mostly sideways through the close. Considering the scope of last week's rally, a "mostly sideways" day is a victory. On a cautionary note, the absence of follow-through and the overnight bounce underscore resistance potential near present levels.



Watch the Video

MBS Morning

11:25 AM Mostly Holding Last Week's Impressive Gains

Alert

1:33 PM Weakest Levels of The Day

4:18 PM

Econon Data / Events

- NY Fed Manufacturing
  - 7.1 vs 7.7 prev

Market Movement Recap

08:43 AM	Modestly stronger overnight. MBS up 1 tick (.03) and 10yr down 1.4bps at 4.036
11:20 AM	weaker in the early trading. MBS down 1 tick (.03) and 10yr up 0.7bps at 4.055
01:33 PM	Weakest levels. MBS down 2 ticks (.06) and 10yr up 1bp at 4.058
04:26 PM	heading out fairly flat. MBS down 1 tick (.03) and 10yr up 1.1bps at 4.059

Lock / Float Considerations

- The new, holiday-shortened week is off to a good enough start with bonds holding most of last week's rally. That said, the absence of follow-through may speak to increased resistance as 10yr yields approach 4.0%. That's an easy cue for risk-averse clients to remain lock-biased. Meanwhile, risk-tolerant clients haven't seen enough of a pull-back to break even the most conservative overhead lock triggers.

Technicals/Trends in 10yr (why 10yr)

Ceiling/Support (can be used as "lock triggers")

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  - 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	4.059%	+0.011%
2 YR	3.437%	+0.027%
30 YR	4.687%	-0.007%
5 YR	3.624%	+0.019%

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