

MBS & TREASURY MARKETS

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MBS Recap: Bonds Punt. Focus Turns to Friday's Econ Data



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Bonds Punt. Focus Turns to Friday's Econ Data

MBS Recap | Matthew Graham | 4:34 PM

Bonds spent the past 2 days pushing back toward slightly higher yields after the 10yr nearly hit 4.0% in Tuesday's overnight session. While there was probably some technical resistance at work, Thursday suggests it wasn't a lasting, thematic shift. In other words, rather than remain committed to an ongoing push back toward higher levels, yields were flat to slightly lower. Perhaps this is as simple as 10yr yields hitting the 4.10 mark this morning and traders playing a narrow 4.0-4.10 range until econ data makes a breakout suggestion. On that note, Friday is the busiest morning of the week with the 1st look at Q4 GDP as well as December PCE inflation.





Watch the Video

MBS Morning

8:53 AM Accidental Clairvoyance (Not Really...)

3:50 PM

Econ Data / Events

- ○ Jobless Claims (Feb)/14
 - 206K vs 225K f'cast, 227K prev
- Philly Fed Business Index (Feb)
 - 16.3 vs 8.5 f'cast, 12.6 prev

Market Movement Recap

- 08:41 AM Weaker overnight and little reaction to econ data. MBS down 3 ticks (.09) and 10yr up 2.5bps at 4.102
- 12:08 PM Steady gains all morning. MBS up 1 tick (.03) and 10yr up less than half a bp at 4.081
- 01:38 PM Best levels of the day. MBS up 2 ticks (.06) and 10yr down 1bp at 4.068

Lock / Float Considerations

- Bonds punted on Thursday. This leaves focus on the week's busiest morning of econ data on Friday. Risks are assumed to be a two way street given the absence of additional selling on Thursday. More simply put, bonds should be willing to take cues from any surprises in the data, for better or worse. With rates at long-term lows, risk-averse clients remain lock-biased. Risk-averse clients still haven't seen enough weakness to trigger any lock cues (but be aware, that can change quickly if the data is much stronger than expected, and the change would transpire before Friday's first rate sheet comes

out).

Technical/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 | 4.072% | -0.005% |
| 2 YR | 3.466% | +0.014% |
| 30 YR | 4.705% | -0.002% |
| 5 YR | 3.643% | -0.006% |

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