MBS Recap: General Risk Aversion Trade Helping Bonds

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General Risk Aversion Trade Helping Bonds

MBS Recap Matthew Graham | 2:39 PM

Bonds began the day in just barely stronger territory but continued to improve throughout. The first rally followed the 8:20am CME open--a common time of day to see a bit of extra momentum and volume. The next leg of the rally played out in the 10am hour which is when stocks did all of their selling for the day. That dynamic lends itself to the conclusion that the broader market is trading in a "risk-off" pattern amid global trade uncertainty.

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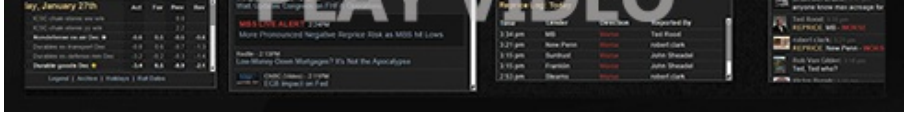

Watch the Video

MBS Morning

10:51 AM Stronger Start. Quiet Calendar

12:03 PM

Econ Data / Events

- Factory Orders
  - -0.7 vs -0.5 f'cast, 2.7 prev

Market Movement Recap

09:52 AM Modestly stronger overnight and holding gains. MBS up 2 ticks (.06) and 10yr down 2.6bps at 4.061

11:37 AM Best levels of the day. MBS up an eighth and 10yr down 5.5bps at 4.033

02:25 PM Holding at strongest levels. MBS up 5 ticks (.16) and 10yr down 6.2bps at 4.025

Lock / Float Considerations

- Bonds erring on the stronger side of the prevailing range to start the new week, ostensibly due to general trade-related uncertainty. Much like 3 weeks ago (when we said bonds would need convincing from econ data in order to improve very much), we'd similarly need to see some strong econ data to push rates meaningfully higher. In other words, we're a bit more insulated than we had been, but we also have to consider that any big announcement on trade can cause this insulation to vanish, and such announcements don't adhere to set schedules like econ reports.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
  - 4.48

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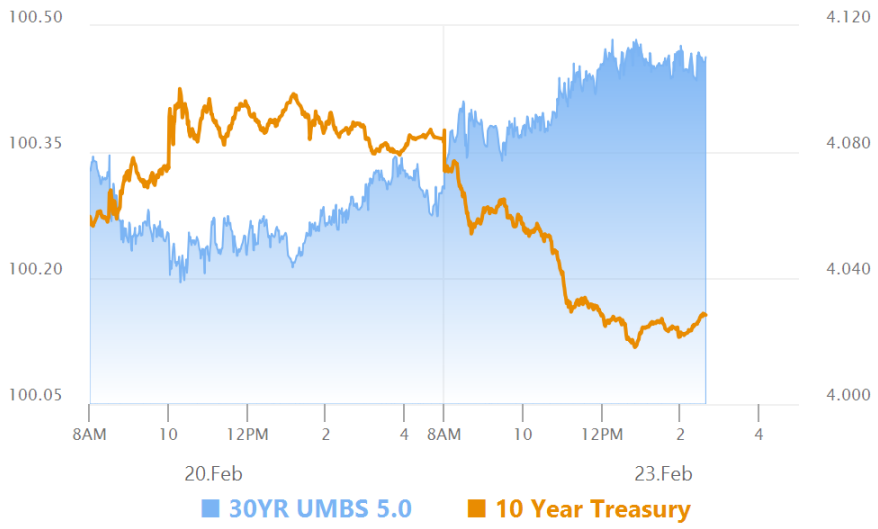
- 4.40
- 4.34
- 4.28
- 4.19
- 4.12
- 4.05

- 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	4.029%	-0.058%
2 YR	3.440%	-0.034%
30 YR	4.698%	-0.026%
5 YR	3.581%	-0.060%

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