MBS Recap: Calmly Holding in Super Strong Territory

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EQUAL HOUSING OPPORTUNITY

Calmly Holding in Super Strong Territory

MBS Recap Matthew Graham | 4:15 PM

MBS may not be quite as high as they were yesterday, but in the bigger picture, today's levels are right in line with the best we've seen in more than 3 years. More importantly, mortgage rates are verifiably at the best levels in more than 3 years. There was no major volatility or any remarkable econ data. Tomorrow's calendar is similarly quiet. Stock/bond correlations broke down in the afternoon, but as bonds search for any sources of guidance, that correlation could certainly return if stocks are making bigger moves.

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MBS Morning

9:31 AM Slower Start, More Sideways. Stock Lever in Play

4:11 PM

Econ Data / Events

- ADP Weekly Payrolls
  - 12.75k vs 10.25k prev
- Case Shiller Home Prices-20 y/y (Dec)
  - 1.4% vs 1.4% f'cast, 1.4% prev
- CaseShiller 20 mm nsa (Dec)
  - -0.1% vs -- f'cast, 0% prev
- FHFA Home Price Index m/m (Dec)
  - 0.1% vs 0.3% f'cast, 0.6% prev
- FHFA Home Prices y/y (Dec)
  - 1.8% vs -- f'cast, 1.9% prev
- Consumer Confidence
  - 91.2 vs 87.0 f'cast, 89.0 prev

Market Movement Recap

08:57 AM Mostly flat overnight and not much movement so far. MBS down 1 tick (.03) and 10yr up 0.8bps at 4.04

01:49 PM Modest recover after AM weakness. MBS down 1 tick (.03) again after being down 3 ticks (.09) at 10am. 10yr down 0.3bps at 4.030

03:47 PM Losing ground modestly into PM. MBS down 2 ticks (.06) and 10yr up half a bp at 4.038

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Lock / Float Considerations

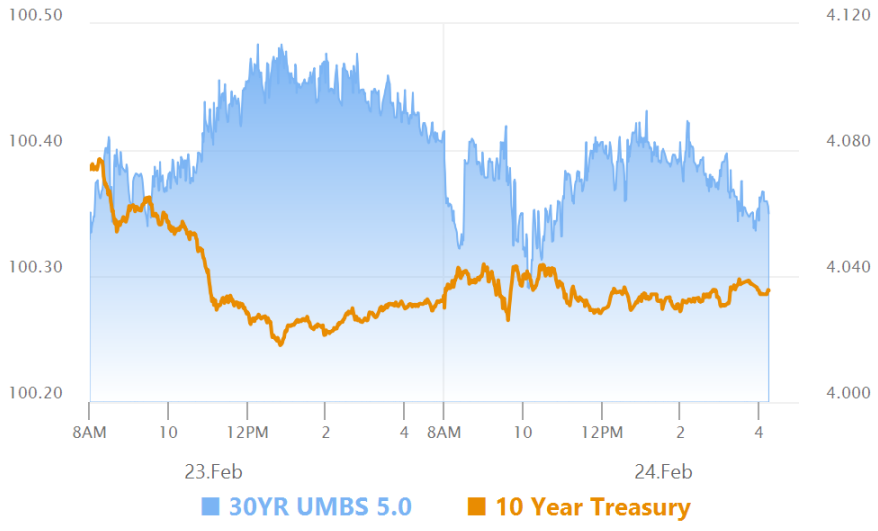
- Bonds erring on the stronger side of the prevailing range to start the new week, ostensibly due to general trade-related uncertainty. Much like 3 weeks ago (when we said bonds would need convincing from econ data in order to improve very much), we'd similarly need to see some strong econ data to push 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
  - 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

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30YR GNMA 5.0
15YR UMBS-15 5.0

US Treasuries		
10 YR	4.036%	+0.003%
2 YR	3.465%	+0.016%
30 YR	4.688%	-0.016%
5 YR	3.601%	+0.015%

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