

MBS & TREASURY MARKETS

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MBS Recap: Dueling Narratives Leave Yields Higher Ahead of Jobs Report



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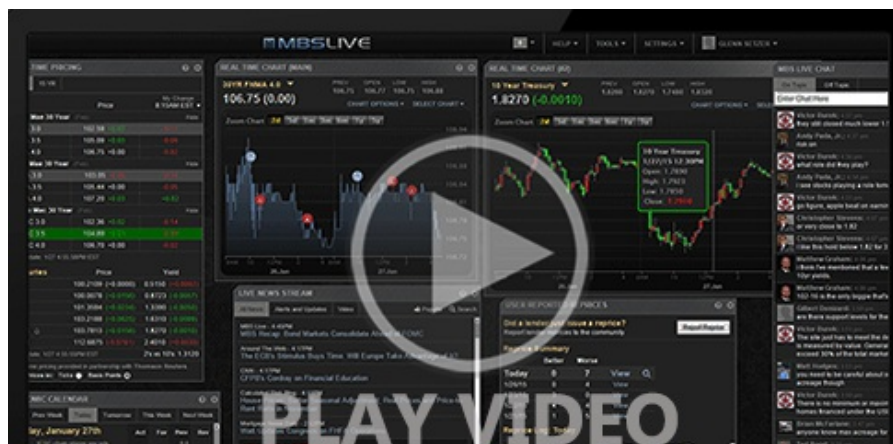


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Dueling Narrative Leave Yields Higher Ahead of Jobs Report

MBS Recap | Matthew Graham | 3:31 PM

In the overnight session yields followed oil prices higher, but notably, Treasuries continued to sell even after oil leveled off. Then during domestic hours, it was Treasuries' turn to level off while oil prices spiked. From 9am to 2pm, oil rose nearly \$5/bbl while Treasury yields remained completely flat. One way to justify this would be via safe-haven demand from heavy stock losses, but we continue not loving that explanation because it is even less reliably correlated than bonds vs oil. At this point, we're simply hoping that the jobs report helps restore some sense of normal market/data correlation, but at this point, anything's possible.





9:24 AM 10yr Breaking Above 4.10% After Overnight weakness

3:13 PM Down an Eighth From Intraday Highs

3:26 PM

- ○ Challenger layoffs (Feb)
 - 48.307K vs -- f'cast, 108.435K prev
- Continued Claims (Feb)/21
 - 1,868K vs 1850K f'cast, 1833K prev
- Import prices mm (Jan)
 - 0.2% vs 0.2% f'cast, 0.1% prev
- Jobless Claims (Feb)/28
 - 213K vs 215K f'cast, 212K prev

08:51 AM	Weaker overnight and little-changed after data. MBS down just over an eighth and 10yr up 3.6bps at 4.136
12:23 PM	sideways at weaker levels. MBS down 5 ticks (.16) and 10yr up 3.6bps at 4.136
02:35 PM	sideways at similar levels. MBS down 6 ticks (.19) and 10yr up 3.4bps at 4.134

- Volatility risk remains much higher than normal amid a combination of geopolitical uncertainty and the schedule of incoming economic data. Recent bond market weakness received a hint of support on Tuesday, but only the most risk-tolerant clients would allow that to inform their lock/float preferences.

Monday, but only the most tolerant clients would allow that to inform their lock, float preferences. Everyone else is waiting for firmer evidence that the bleeding has stopped

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
30YR GNMA 5.0
15YR UMBS-15 5.0

US Treasuries

10 YR	4.130%	+0.029%
2 YR	3.574%	+0.027%
30 YR	4.742%	-0.002%
5 YR	3.721%	+0.028%

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