MBS Recap: Afternoon Weakness in Bonds Despite Lower Oil Prices. Will CPI Matter?

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MBS Recap Matthew Graham | 4:20 PM

Days like today are a problem for a "set it and forget it" mentality when it comes to energy prices and the bond market. On many occasions since the beginning of last week, the correlation between oil prices and bond yields has been plain to see. Additionally, oil price volatility has been the only way to explain much of the movement in bonds. Now this afternoon, bond yields broke higher despite no clear cues from oil. We are left to lean on things like a weak 3yr Treasury auction and general supply pressures surrounding a large corporate bond issued by Amazon. Tomorrow brings CPI--usually a relevant market mover, but unlikely to carry as much weight given the current backdrop.

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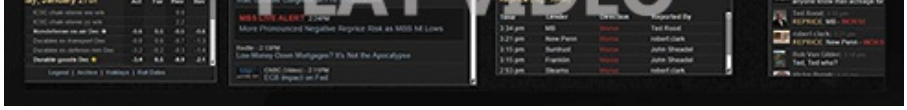

Watch the Video

MBS Morning	
9:07 AM	Starting Out Weaker vs 5pm or Stronger vs 3pm
Alert	
2:22 PM	Losing Ground Quickly
Update	
2:38 PM	Bouncing Back Now
Alert	
3:56 PM	Back at Weakest Levels
4:05 PM	

Econ Data / Events

- ADP Weekly Employment
  - 15.5k vs 12.75k prev

Market Movement Recap

08:56 AM	Weaker overnight vs Monday's late-day rally levels. Stronger vs 3pm close. 10yr at 4.124. MBS down 19bps from 5pm, but up a few bps vs 3pm.
09:54 AM	MBS down 5 ticks (.16) on the day and 10yr up 2.5bps at 4.12
12:17 PM	MBS down 3 ticks (.09) and 10yr up 1.6bps at 4.112
03:22 PM	MBS down 7 ticks (.22) and 10yr up 4.6bps at 4.142

Lock / Float Considerations

- Volatility risk remains much higher than normal due to geopolitical uncertainty. There is some econ data this week that would traditionally be worth watching, but oil price volatility argues against

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data this week that would traditionally be worth watching, but oil price volatility argues against reading too much into February's CPI

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	4.148%	+0.052%
2 YR	3.585%	+0.043%
30 YR	4.783%	+0.069%
5 YR	3.732%	+0.045%

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