MBS Recap: Still a Resilient Day Despite Afternoon Weakness

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MBS Recap Matthew Graham | 4:23 PM

The day's most notable development, by far, was the speech from Fed Governor Waller in which he said the Fed probably didn't need to hike at the upcoming meeting (depending on data, of course). Fed Funds Futures reacted immediately and mostly held those gains all day. The longer end of the curve ended up giving back most of the initial gains, albeit very gradually. The net effect is that we're still in "wait and see" mode--but a slightly less painful version--ahead of Friday's jobs report and next week's inflation data.

Watch the Video

MBS Morning

9:56 AM Some Signs of Resilience

Alert

3:40 PM MBS Down an Eighth From Mid-Day Highs

4:09 PM

Econon Data / Events

- - Continued Claims (Aug)/22
    - 1779.0K vs -- f'cast, 1778K prev
  - Jobless Claims (Aug)/29
    - 206.0K vs 205K f'cast, 203K prev
  - Trade Gap (Jul)
    - -88.60B vs $-90B f'cast, $-73.3B prev
  - Unit Labour Costs QoQ FinalQ2
    - 1.2% vs 1.3% f'cast, 1.3% prev

Market Movement Recap

09:20 AM Slightly stronger overnight with additional gains after Waller speech. MBS up a quarter point and 10yr down 3.6bps at 4.744

10:10 AM Off best levels. MBS up 5 ticks (.16) and 10yr down 2.2bps at 4.758

01:33 PM MBS up 6 ticks (.19) and 10yr down 2.5bps at 4.756

Lock / Float Considerations

- 9/3/26 -Promising resilience versus oil prices in overnight trading was replaced by afternoon weakness that undid much of the positive messaging. Still, combined with Waller comments, it amounted to a glimmer of hope for a supportive bounce in the bigger picture. Ultimately, that bounce would depend glimmer of hope for a supportive bounce in the bigger picture. Ultimately, that bounce would depend on data like tomorrow's jobs report and next week's inflation data. Additionally, just because we saw some resilience today doesn't mean bonds would ignore any major impacts from war headlines going forward. Bottom line: still a high risk environment.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
  - 4.80
  - 4.71
- Floor/Resistance
  - 4.42
  - 4.54
  - 4.62

MBS & Treasury Markets

MBS

30YR UMBS 5.5	+
30YR UMBS 6.0	+
30YR GNMA 5.5	+
15YR UMBS-15 5.0	+

US Treasuries

10 YR	4.772%	-0.009%
2 YR	4.340%	-0.038%
30 YR	5.252%	-0.006%
5 YR	4.521%	-0.010%

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