MBS Recap: Did Japan Sell Treasuries Today?

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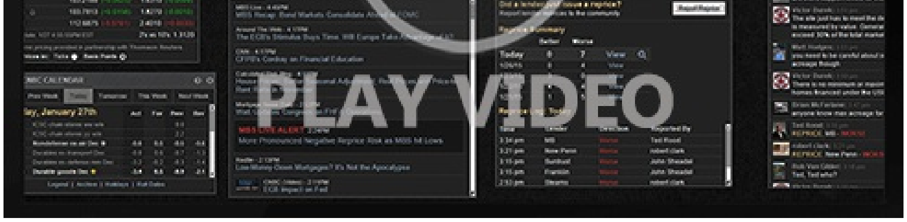
Did Japan Sell Treasuries Today?

MBS Recap Matthew Graham | 5:37 PM

Bonds sold off medium big on Friday in a move that offered little by way of overt explanations. There were reports of "rate checks" in the USD/JPY market--something that CAN precede the selling of U.S. bonds in order to buy JPY. Notably, there were no reports of actual intervention, but sometimes these things aren't revealed until the following trading day. If this explains today's weakness (and to be clear, we're not sure it does), it would be good for the U.S. bond market as it would mean 10yr yields still held under 5% despite added, artificial pressure. Causality investigations aside, we'd focus on the fact that 10yr yields held under 5% (albeit just barely), which is right where they were on the Tuesday afternoon before Fed day.



[Watch the Video]

MBS Morning

9:33 AM Why Are Bonds Selling Today?

5:12 PM

Econon Data / Events

- Building Permits (Aug)
  - 1.394M vs 1.41M f'cast, 1.433M prev
- Continued Claims (Sep)/05
  - 1730.0K vs 1780K f'cast, 1774K prev
- Housing starts number mm (Aug)
  - 1.275M vs 1.31M f'cast, 1.239M prev
- Jobless Claims (Sep)/12
  - 196K vs 208K f'cast, 206K prev
- Philly Fed Business Index (Sep)
  - 37.8 vs 30.5 f'cast, 47.4 prev
- Philly Fed Prices Paid (Sep)
  - 48.60 vs -- f'cast, 40.90 prev

Market Movement Recap

08:41 AM MBS down roughly a quarter point and 10yr up 4.6bps at 4.979

10:30 AM MBS down 3/8ths and 10yr up 7.2bps at 5.005

02:14 PM MBS down 10 ticks (.31) and 10y up 6.6bps at 4.999

05:11 PM MBS down 3/8ths and 10yr up 6bps at 4.993

Lock / Float Considerations

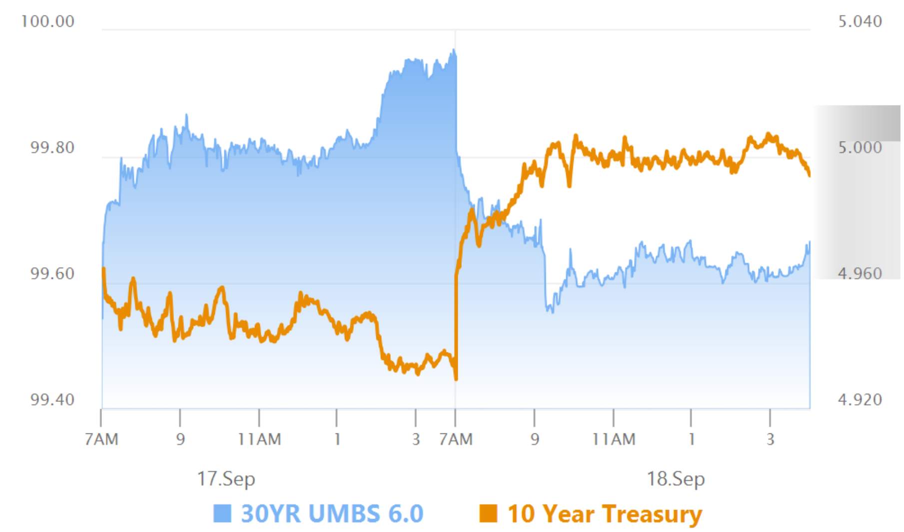
- 9/18/26 - Technical levels don't predict the future, but 4.94% has emerged as an important resistance level to break in terms of 10yr yields. 5.00% remains an important level to avoid breaking overhead. Today's trading tested 5.00% repeatedly. We suspect one-off distortions in the bond market today and that we'll have a better sense of how post-Fed momentum is playing out next week. In general though, the default stance hasn't changed since the beginning of July: we continue waiting for a definitive shift/rally before it makes sense to be anything other than conservative in terms of lock/float decisions.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
  - 5.14

- Floor/Resistance
  - 4.62
  - 4.71
  - 4.80
  - 4.83
  - 4.93
  - 5.00

MBS & Treasury Markets



MBS
30YR UMBS 6.0
30YR UMBS 6.5
30YR GNMA 6.0

15YR UMBS-15 5.0

US Treasuries		
10 YR	5.005%	+0.072%
2 YR	4.744%	+0.070%
30 YR	5.327%	+0.038%
5 YR	4.857%	+0.070%

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