MBS Recap: Brutal Day And For The Scariest Reasons

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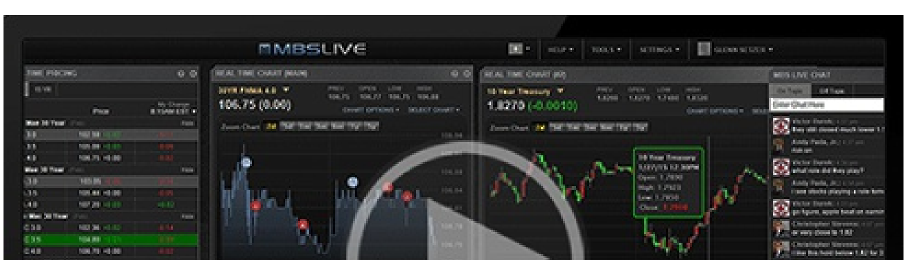
Brutal Day And For The Scariest Reasons

MBS Recap Matthew Graham | 5:27 PM

Despite a slightly stronger start and initial promise of resilience in the face of higher oil prices, bonds bounced nauseatingly higher starting around 10am. Oil prices do a fairly terrible job of explaining the bond weakness, even though oil moved a few bucks higher throughout the day. So what moved markets? That's the scary part: there was no obvious intraday catalyst. The fact is that a lot of traders have decided to sell a lot of bonds very quickly. As obvious as that sounds, we're referring to a staggering uptick in volume as well as average volume per minute. Today, it resulted in roughly 3.8m 10yr futures contracts. Contrast that to Friday the 11th when volume was "only" 2.8m contracts (the prevailing range for the past few months has largely been 1-2m). This is the kind of price action we have in mind when attempting to define undefinable concepts like "repricing of risk."



Watch the Video

MBS Morning

9:34 AM Slightly Stronger Start Despite Higher Oil Prices

Alert

10:55 AM MBS Down a Quick Quarter Point From Highs

Alert

3:21 PM More Negative Reprice Risk

4:30 PM

Econon Data / Events

- Continued Claims (Sep)/12
  - 1719.0K vs 1750K f'cast, 1730K prev
- Jobless Claims (Sep)/19
  - 197.0K vs 201K f'cast, 196K prev

Market Movement Recap

08:51 AM Initially a hair weaker overnight but gaining some ground now. MBS up 2 ticks (.06) and 10yr down 1.9bps at 5.093

11:35 AM MBS down 10 ticks (.31) and 10yr up 5.4bps at 5.167

04:25 PM MBS down 3/4th of a point and 10yr up 10.2bps at 5.213

Lock / Float Considerations

- 9/24/26 - If you needed any more convincing that it's a bad idea to catch falling knives before they land, the past 48 hours have been a painful education. At some point, the market will conclude that there's been enough selling that bonds make sense to buy purely for ROI, but there's no telling if that's tomorrow or months from now. Either way, we continue waiting for that magic moment when we can confidently conclude the knife is in the ground. All we know at the moment is that we're not there yet.

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	5.204%	+0.092%
2 YR	4.927%	+0.032%
30 YR	5.478%	+0.079%

30 YR	5.478%	+0.079%
5 YR	5.065%	+0.072%

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