

TMSPOTLIGHT  
WITH LES PARKER



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NEWSLETTER

## Market Summary

Fed talk took some of the fantasy out of the easing bubble, which capped another nice run up in Treasuries. The 2 yr auction found lots of buyers. The Bond stayed below significant resistance, but the price action encouraged the Bulls.

"...Any attack by Iran on anything American will be met with great and overwhelming force. In some areas, overwhelming will mean obliteration." The tweet by President Trump captured the Oil markets attention. Oil rose \$1 and settled above the 57.7 resistance level. Next resistance stands at 61.25.

## Interest Rate Outlook

Mortgages live in the middle of the teetering Treasury long end. Treasuries swing, while MBS barely move. Do not expect it to change. It takes a close above 156.10 in the Bond to perk-up the Bond bulls. Otherwise, look for 153 to 152 near term.

For now, the bull trend remains intact. Still, expect the 10 yr yields to rise (correct) above 2.20% near term. The minimum target is 2.26%. 2.31% is likely, which may result in a close above 2.28%, which causes the trend to turn bearish.

Expectations remain low for the XI and Trump meeting Saturday in Japan during the G-20. Do not be surprised with a drop to 1.90% or even 1.40% in the 10 yr yield this year. "Obliteration" could cause it.

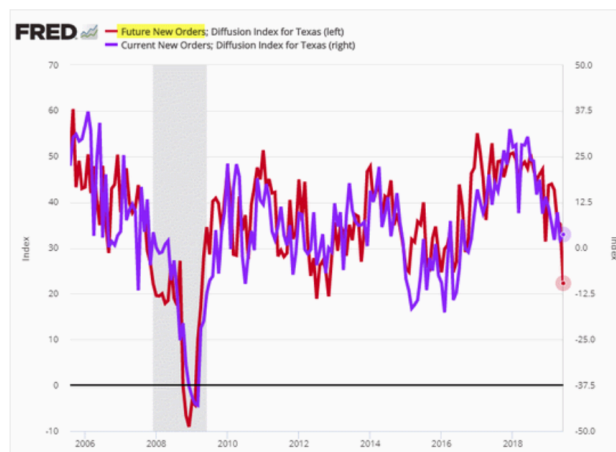
## Volatility Outlook

Sep 2019 Bond implied volatility, IV, settled at 7.58. As expected IV rose on the firm upward move. Building bull momentum is more apt to increase implied volatility.

Hedge Note: Create convexity puts with Sep 128.5 10 Year calls coupled with short FN35 or use 118.5 5 Year Note puts.

## Chart of the Day

Forward-looking indicators saw the largest declines. Current vs. future new orders:



Les Parker selects graphs with permission from The Daily Shot, The Wall Street Journal, Dow Jones & Company, Inc.

The Daily Shot - [Everything you need to know about the trends moving to today's markets revealed by 30+ charts and concise analysis.](#)

## Two-Year Look Back at MBS & Treasury Yields

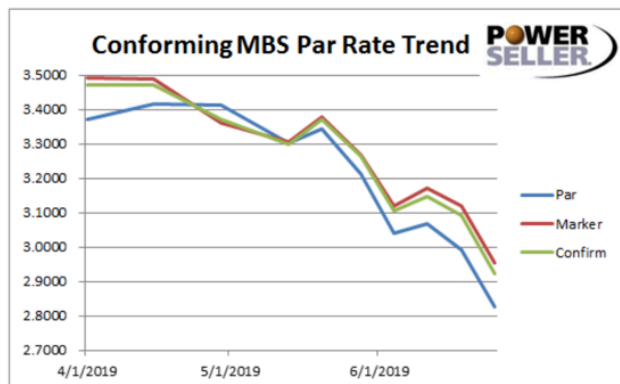
## Yield Spread Outlook

The 10yr - 2yr settled at 0.25. Less dovish Fed talk flattened the curve.

Hedge Note: Create convexity puts with Sep 128.5 10 Year calls coupled with short FN35 or use 118.5 5 Year Note puts.

## Hedger's Corner

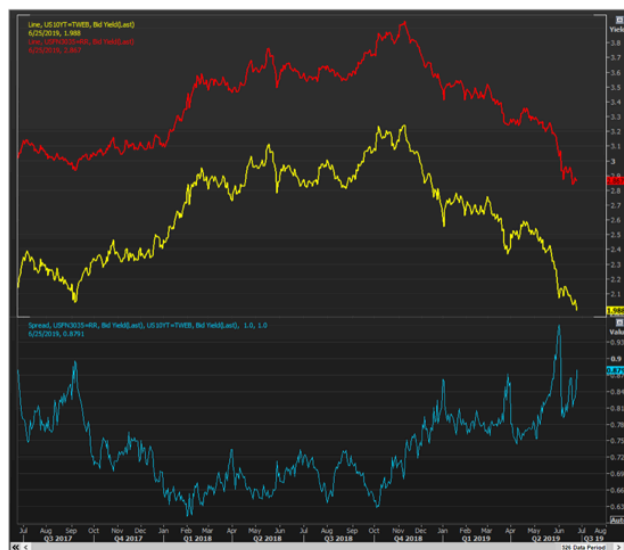
Rates are 48bps below the most recent entry point.



**Par** = The effective Par Rate as Calculated by PowerSeller®.

**Marker** = The line above or below which trending is indicated.

**Confirm** = The line that must be crossed to confirm a direction change.



YELLOW = Ten Year Treasury Note Yield

RED = Fannie Mae 3.5 Coupon MBS Yield

BLUE = The Spread between the two

Refinitive's Eikon - Find out more about [Thomson Reuters Eikon for Mortgages](#)

## Long-Term Technical Outlook

Sec & Settle	Close	Trend & Last Change	Trend Reversal
10 Yr Yield	1.99	Dn from 11/29/18 at 3.04	2.28 Close
Bond Sep	155.29	Up from 3/8/19 at 145.12	151.10 Close
10yr Sep	128.04	Up from 11/16/18 at 119.11	125.29 Close
5yr Sep	118.09 ½	Up from 11/16/18 at 112.30	116.25 Close
FN 35 Jul	102.07	Up from 9/11/18 at 98.07	100.31 Close
G2 35 Jul	103.07	Up from 11/29/18 at 98.23	102.06 Close

## Intraday Technical Outlook

As of TYU9 @ 128.04

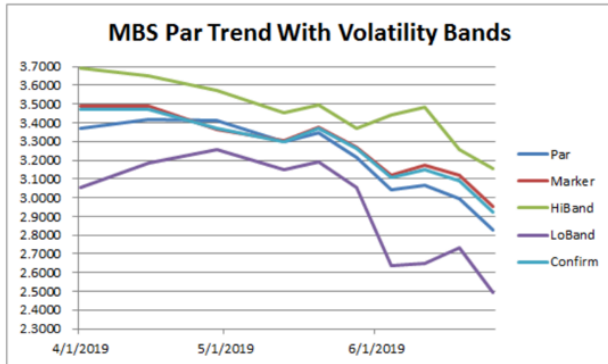
USU9 @ 155.29

Security	Level 1	Level 2	Outside
10yr Resistance	128.13	128.18	128.23
10yr Support	127.26	127.21	127.16
Bond Resistance	156.12	156.19	156.26
Bond Support	155.12	155.05	154.30

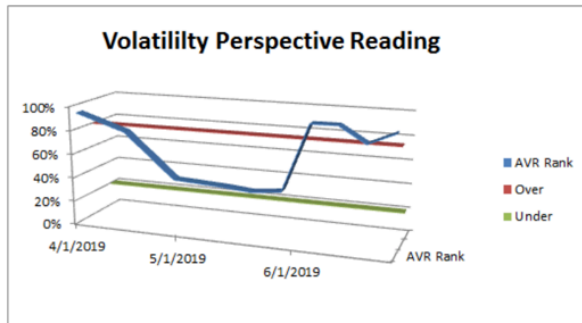
## Market Trend Intensity Indicator

Today's reading, 58.06. Previous business day's reading, 56.66.

The trend appears to have room to breathe.



Oscillator indicates that rates will be more sensitive to bearish news rather than bullish news over the next few days.

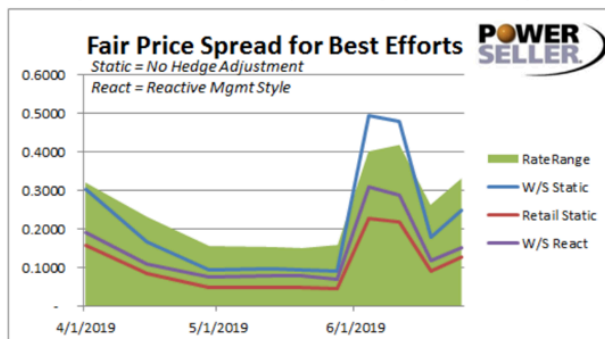


**AVR Rank** = A proprietary measure of relative volatility.

**Over** = A line indicating market volatility is inflated and likely to revert lower.

**Under** = A line indicating market volatility is deflated and likely to revert higher.

The cost spread between static and dynamic hedging moved to 11 bps.



**Rate Range** = 3 Week Par Rate Fluctuation Level (Period typical of InProcess Stage).

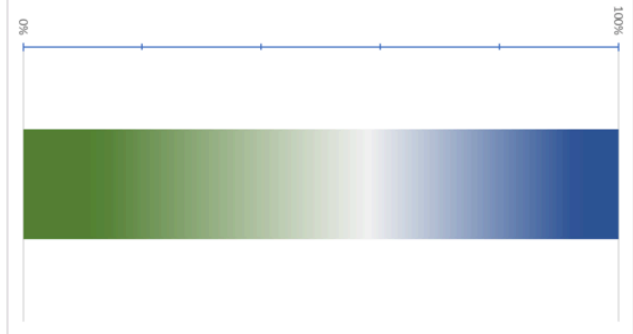
**Wholesale** = Mandatory to Best Efforts Fair Spread for a Wholesale Fallout Curve.

**Retail** = Mandatory to Best Efforts Fair Spread for a Retail Fallout Curve.



*Makes hedging easy.*

## Market Trend Intensity **Bullish** **Bearish**



The Market Trend Intensity indicator is a proprietary measure of various market factors for their collective bullish influence on the 10 Year Treasury Note Futures. They include technical factors, related markets, monetary policy, inflation, growth, and volatility. Each factor's intensity and weight (effect on the 10 yr) changes. I attempt to quantify my subjective view in a picture. Republishing is welcomed with Source reference use <https://tmspotlight.com/>

Song:

**Hello (1983)**

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