

## MBS RECAP: 11/16/2011



BY MATTHEW GRAHAM  
 Posted 11/16/2011 4:15 PM

### MBS Live: MBS RECAP

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<a href="#">FNMA 3.5</a> 101-25 : +0-04	<a href="#">GNMA 3.5</a> 103-16 : +0-04	<a href="#">FHLMC 3.5</a> 101-17 : +0-04
<a href="#">FNMA 4.0</a> 104-00 : +0-03	<a href="#">GNMA 4.0</a> 106-19 : +0-06	<a href="#">FHLMC 4.0</a> 103-25 : +0-03
<a href="#">FNMA 4.5</a> 105-18 : +0-02	<a href="#">GNMA 4.5</a> 108-16 : +0-03	<a href="#">FHLMC 4.5</a> 105-05 : +0-01
<a href="#">FNMA 5.0</a> 107-12 : +0-02	<a href="#">GNMA 5.0</a> 109-31 : +0-04	<a href="#">FHLMC 5.0</a> 106-25 : -0-01

Pricing as of 4:00 PM EST

### Afternoon Market Updates

A recap of MBS Market Updates provided by MND Analysts and streamed live to the [MBS Live Dashboard](#).

#### **3:56PM : Sideways Themes Abound. Less Data but More Potent Tomorrow**

We're hearing more and more whispers and some yelling on the general topic of "the worst is over for the housing market." And while that would make sense given that most housing market metrics have basically been sliding along their weakest levels for a long time now, we have yet to see data confirm, or even suggest, that the housing market in general, is improving or might soon be improving. Whenever that gradually begins to happen, housing-related econ data will become more and more of a market mover.

With that in mind, we'd also point out that the first few reports that suggest something other than a painful skid along the gutter might get more notice than we'd expect. So with this potentially growing sentiment of "the worst being over," each new piece of housing data is, in some way, more of a contender for market movement than it was when we already knew it was going to tell us things are crappy. Tomorrow's is no exception. All of the above to build a case for "more potent data tomorrow" as Housing Starts are in the company of the recently more-closely-watched Philly Fed survey, and with-us-as-always, Jobless Claims.

Here's the run-down :

Housing Starts - 830am. Starts and permits are both forecast at a 605,000 annual rate vs 658k and 594k annual rates in the previous report.

Jobless Claims - 830am. Seen at 395k vs last week's 390k

Philadelphia Fed Survey - 10am. This "business conditions" survey had a huge bounce back from historically weak readings recently in the negative 30 range to +9.0. Thursday's consensus calls for +8.7

Fed Speak from Pinalto

and if you missed it, a link to a very interesting triangle in stocks. The late day selling basically brought S&P's perfectly in line with the lower support line:

#### **3:23PM : SIGTARP Halts 85 Online Mortgage Modification Scams**

The Special Inspector General for the Troubled Asset Relief Program (SIGTARP) today announced it shut 85 alleged online scams that made false promises to help homeowners cut mortgage payments through the TARP-funded Home Affordable Modification Program.

Google, in cooperation with an ongoing criminal SIGTARP investigation of these scams, has suspended advertising relationships

with more than 500 Internet advertisers and agents linked to the 85 alleged mortgage fraud schemes.

**1:55PM : Fed's Waller on Housing's Role in Recovery/Monetary Policy**

(Reuters) - The U.S. economic recovery will likely be a long slog over several years and there is not a whole lot the Federal Reserve can do to speed the process, according to a top economist at the central bank.

One growth-enhancing step policymakers have discussed is expanding purchases of mortgage-backed securities to help heal housing markets. MBS buying helped stop the decline in house prices in 2009, Waller said, but there are questions about whether the move would be as effective now as it was then.

"Now, we don't see the economy going off a cliff, we don't see the stock market crashing, we don't see jobs disappearing by 700,000 a month, so the circumstances are different," he said. With mortgage interest rates at rock-bottom levels, Waller said it is possible that pretty much anyone able and interested in buying a house has already bought one, so the only benefit would be in encouraging refinancing.

And although many view housing as an essential component of a more robust rebound, it may be unreasonable to expect that sector to rapidly regain any of its pre-crisis sparkle, he added. Housing oversupply and the slow pace of resolving problems from decimated home values will make the pace of recovery in this sector painfully slow, he said.

"It's going to take a while to get this turned over," Waller said. "We just have to accept that housing is moribund and we can't expect it to get us out of this." (Editing by James Dalgleish)

**1:49PM : ALERT: MBS Fall To Lowest Levels Since 9am. Potential Negative Reprices?**

This is one of those frustrating-to-write alerts which also might be frustrating to read. In and of itself, a 101-21 price in MBS probably wouldn't justify a reprice for the worse, but given the manner in which it stands out as a clear recent low on the two day chart combined with the utter rapidity of the swing in the risk-on trade makes it possible that a few early-to-act lenders could reprice for the worse, possibly more if current weakness is sustained or if prices slip down to, say 101-18.

this is an early warning... Fannie 3.5's already bounced to 101-23 and it remains to be seen if stocks, TSY yields, and MBS selling will have a quick turn-around here. First risk level = sustained move under 101-23 in Fannie 3.5's. Second risk level = hitting 101-18. Most pronounced reprice risk at 101-16.

**11:27AM : Lacker Says Fed Should Only Hold Treasuries**

**Reuters:** The Federal Reserve should not engage in credit allocation by helping specific sectors such as housing, Richmond Federal Reserve Bank President Jeffrey Lacker said on Wednesday.

The remarks indicate Lacker, an inflation hawk who will rotate into a voting seat in the Federal Open Market Committee next year, would oppose any renewed effort to boost the housing sector through purchases of mortgage-backed securities.

"The Fed could easily manage the supply of monetary assets through purchases and sales of U.S. Treasury securities only," Lacker told a conference at the libertarian CATO Institute.

**11:18AM : ALERT: Potential Positive Reprices as MBS Pivot Point Provides Support**

The longer you see the 101-23 pivot point hold up as support for Fannie 3.5's (and especially if it results in a break of 101-26 for more than a few split seconds), the more possible it becomes that we'll see reprices for the better. In this case, lenders that priced at 9am or later are less likely than those who priced before (we realize that's not many), although the fast-to-act reprice crowd might be inspired enough by the pivot-based support to toss out a token improvement soon. A break back below 101-23 unwinds this optimism, should it occur.

## Featured Market Discussion

A recap of the featured comments from the Live Discussion on the [MBS Live Dashboard](#).

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**JRB** : *"REPRICE: 2:15 PM - Met-Life **Worse**"*

**Ira Selwin** : *"<https://fanniemaebex.com/mw03061c/mywebex/default.do?siteurl=fanniemaebex>"*

**Ira Selwin** : *"There's a Fannie Mae webex tomorrow at 2 pm in regards to harp changes if anyone is interested"*

**Timothy Baron** : *"Great explanantion on the 20-40 bps MG. Love that stuff."*

**Matthew Graham** : *"in other words, thanks, and props to AQ on the easy-to-use screens that allowed me to more quickly snap that video"*

**Matthew Graham** : *"The screens AQ has been building for Eikon make the on-the-fly spread assessments very easy. "*

**Matt Hodges** : *"great snapshot, MG - well done"*

**Matthew Graham** : *"<http://screencast.com/t/XfCyA7Wjlsrf>"*

**Matt Hodges** : *"cool - mG on audio/vid"*

**Matthew Graham** : *"lacker's commentary boggles my mind. unless of course he simply wasn't thinking about mortgage rates or the stability of the MBS market in the slightest, or simply assuming that the reinvestment currently in place would be a sufficient deterrent to wider spreads indefinitely. either way, i got a video link coming up here to show you why I say 20-40 higher with no FED reinvestment "*

**Matthew Graham** : *"rates would be 20-40 bps higher"*

**Christopher Stevens** : *"If the Fed were not purchasing MBS's where do we think pricing WOULD BE"*

**Matthew Graham** : *"RTRS- LACKER - DECLINES TO SAY WHETHER WOULD DISSENT AGAINST FURTHER MBS BUYING "*

**Matthew Graham** : *"RTRS- LACKER - ANYTHING WE CAN DO BY BUYING MBS WE CAN DO EVEN BETTER BY BUYING TREASURIES "*

**Brent Borcharding** : *"Most of us are limited to lender/investor overlays...so for me, GR, yesterday's announcement means nothing until lenders tell me what they are willing to do and when."*

**Matthew Graham** : *"great question, one which we debated at length last night"*

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