

# MBS & TREASURY MARKETS

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## MBS Recap: Higher Inflation Expectations Keep Yields Range-Bound



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## Higher Inflation Expectations Keep Yields Range-Bound

MBS Recap | Matthew Graham | 4:23 PM

It's not as if bond yields stood any real chance of breaking outside the week's prevailing range based on today's starting point, but by losing a modest amount of ground, they ended up staying even closer to the 4.50% psychological level ahead of next week's big CPI revelation. Today's driver was the Consumer Sentiment data. While the headline was weak (which would be good for bonds, all other things being equal), the inflation expectation component got the market's attention, pushing yields higher and stocks lower after 10am. The selling was brief and the afternoon was on cruise control at modestly weaker levels.





Watch the Video

## Update

10:20 AM Mixed Sentiment Data Offers No Help

## Alert

11:25 AM MBS at Lows, Down a Quarter Point on The Day

## MBS Morning

12:36 PM Every Bit as Sideways as it Should Have Been

## Econ Data / Events

- ○ Consumer Sentiment
  - 67.4 vs 76.0 f'cast, 77.2 prev
- 1yr inflation expectations
  - 3.5 vs 3.2 prev
- 5yr inflation expectations
  - 3.1 vs 3.0 prev

## Market Movement Recap

- 10:24 AM Moderately weaker overnight and no help from sentiment data. MBS down 5 ticks (.16) and 10yr up 4.1bps at 4.497
- 11:25 AM A bit of additional weakness as MBS get caught up with TSY losses. 10yr still up just over 4bps at 4.498, but MBS now down 7 ticks (.23).
- 03:44 PM Losses cooled down by 1pm. Sideways and stable since then. MBS down 6 ticks (.19) and 10yr up 4.7bps at 4.503

## Lock / Float Considerations

10yr yields haven't been keen to move too far away from 4.5% in either direction, and while that theme

- 10yr yields haven't been keen to move too far away from 4.5% in either direction, and while that theme could continue at the start of the coming week, it's almost certain to change by Wednesday with the release of two high consequence economic reports (Retail Sales and, more importantly, CPI).

## Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
  - o 4.80
  - o 4.65
  - o 4.57
- Floor/Resistance
  - o 4.23
  - o 4.35
  - o 4.49

## 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	4.500%	+0.044%
2 YR	4.868%	+0.050%
30 YR	4.642%	+0.033%
5 YR	4.515%	+0.044%

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