

MBS & TREASURY MARKETS

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MBS Recap: Very Restrained Bond Rally Considering The Data's Implications



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Very Restrained Bond Rally Considering The Data's Implications

Today's CPI data was hotly anticipated, to say the least, and it did a borderline heroic job of advocating for a huge drop in rates. Not only did the core M/M number drop to an unrounded 0.065 (implies core annual inflation UNDER 1.0%) but shelter inflation dropped to the lowest levels since the start of the pandemic, roughly in line with the bottom of the pre-pandemic range. Those ingredients would have allowed the market to cook up a much bigger rally than we saw today, even though we saw the 2nd biggest mortgage rate drop in 2024. A slower pace is more sustainable. Markets want to do things right this time.



Watch the Video

Update

8:34 AM CPI Lower Than Expected. Bonds Rallying

MBS Morning

10:47 AM This is The Inflation Data You Were Hoping For

Alert

3:42 PM MBS Down More Than an Eighth From Mid Day Highs

Market Movement Recap

10:47 AM Immediate rally in response to CPI and mostly holding since then. MBS up 3/8ths and 10yr down 10bps at 4.184.

02:03 PM modest pull-back after poorly received 30yr auction. 10yr still down 9.1bps at 4.195 and MBS still up more than quarter point.

MBS are still up 10 ticks (.31) in 5.5 coupons but down more than an eighth from mid-day highs. 10yr yields are still down nearly 9bps at 4.20, but that's up from lows of 4.166.

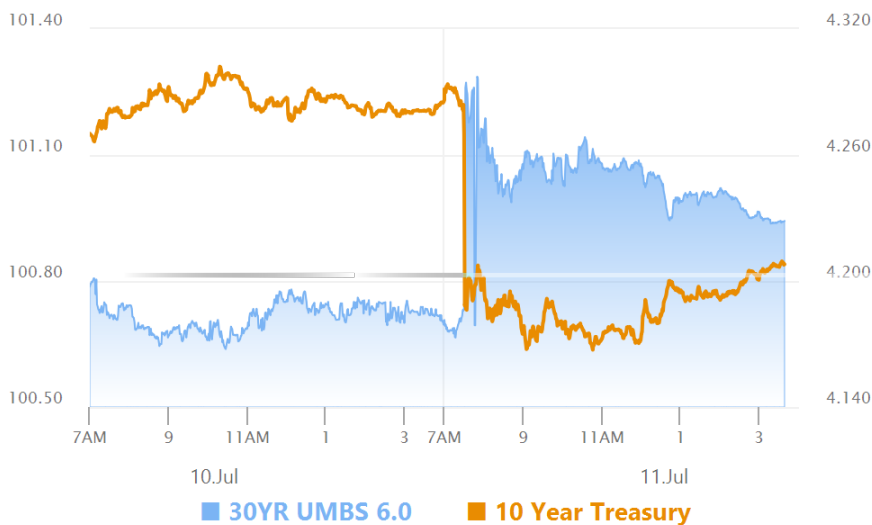
Lock / Float Considerations

- The friendly CPI surprise lowers risk/reward going forward. Risk tolerant floaters will treat it as the confirmation of a new trend that takes rates lower. Risk averse clients are just waiting for rate sheets to reflect most of the MBS improvement before locking.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
 - o 4.57
 - o 4.49
 - o 4.35
 - o 4.30
- Floor/Resistance
 - o 4.07
 - o 4.19

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	4.208%	-0.078%
2 YR	4.511%	-0.118%
30 YR	4.418%	-0.068%
5 YR	4.140%	-0.103%

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