

# MBS & TREASURY MARKETS

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



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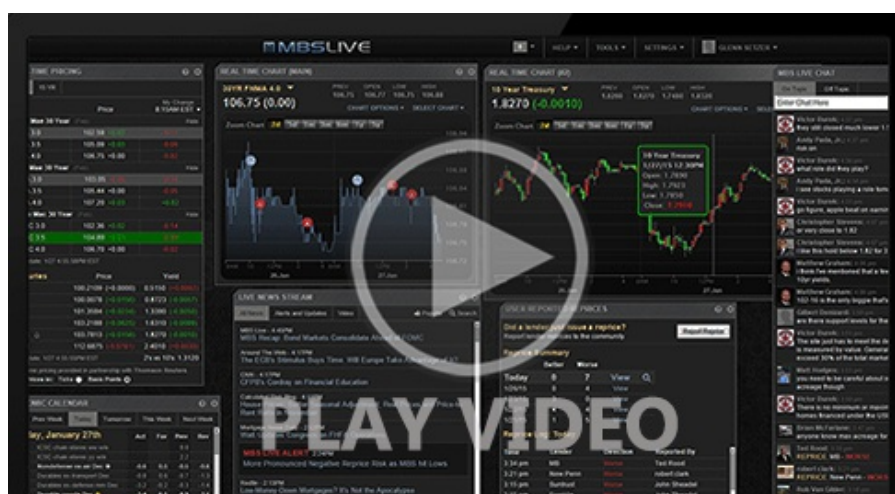
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## Very Restrained Bond Rally Considering The Data's Implications

MBS Recap | Matthew Graham | 4:38 PM

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.



### 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.
- 03:42 PM 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.

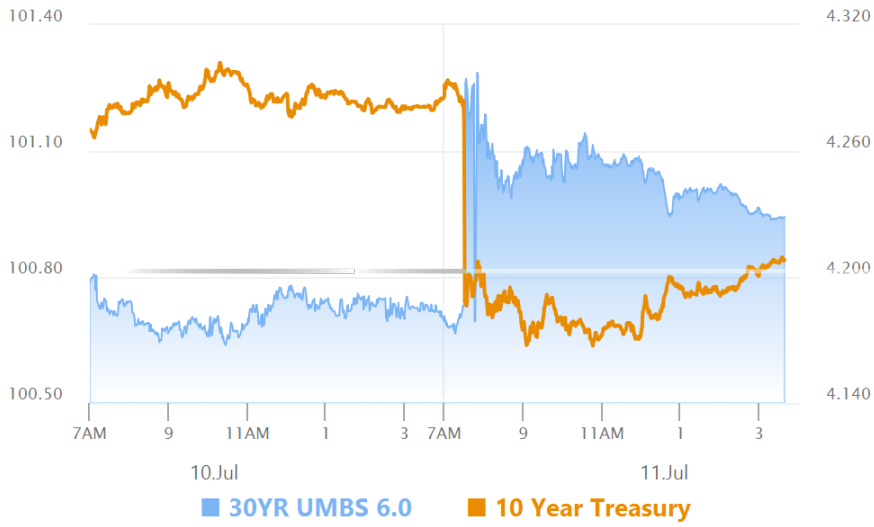
## Lock / Float Considerations

- 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 4.16

## 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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