

MBS & TREASURY MARKETS

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MBS Recap: Worst is Over. Now What?



Alfonso Rodriguez
REALTOR & Mortgage
Loan Officer, Network
Funding

nflp.com/.../alfonsorodriguez

P: 512-215-4284

M: 512-809-0091

1717 N. IH-35
Round Rock TX 78664
2103631

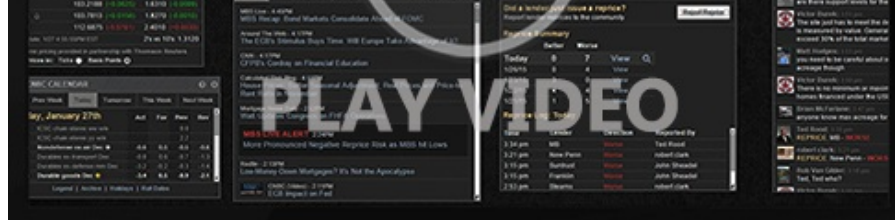


Worst is Over. Now What?

MBS Recap | Matthew Graham | 4:30 PM

Good things happened in the bond market on Tuesday. There was a bit of a scare in the AM hours as a relatively flat overnight performance gave way to some early weakness, but buyers showed up at the 4.05% technical level in 10yr yields (a major inflection point on the way up in the first quarter of 2024). That doesn't mean rates can't go higher ever again, but this show of support effectively ends the sharp, initial phase of negative momentum that can follow big events like Friday's jobs report. The baseline is sideways in a choppy range until we get the next compelling data. Don't expect any major favors from Thursday's CPI. Reasons for this are discussed in today's MBS Live recap video.





Watch the Video

MBS Morning

11:13 AM NFP Bond Rout Starting to Level Off, Hopefully

Market Movement Recap

- 10:11 AM slightly weaker overnight with additional losses into 10am and modest bounce since then. MBS down 3 ticks (.09) and 10yre up 1bp at 4.04
- 12:48 PM Back into positive territory with MBS unchanged and 10yr down 0.6bps at 4.024
- 03:40 PM Very flat in the PM hours. MBS still unchanged and 10yr up 0.2bps at 4.032

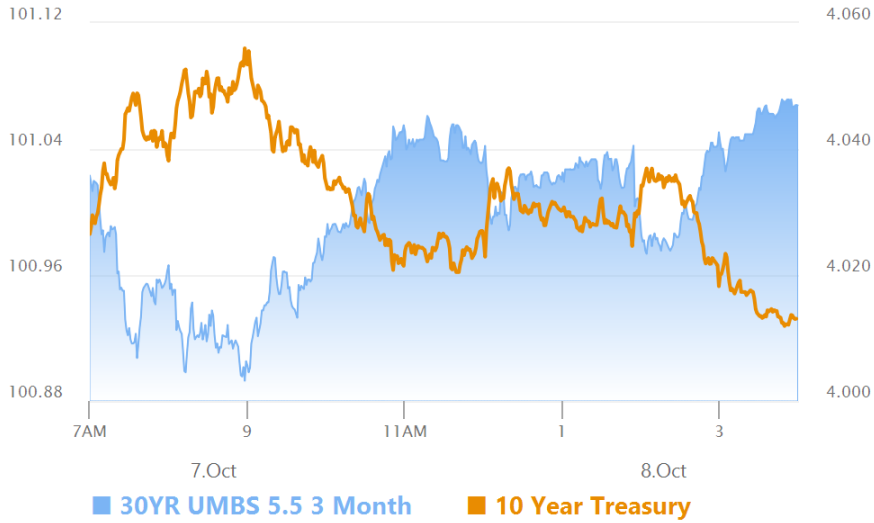
Lock / Float Considerations

- The worst is now likely over following Friday's NFP-inspired rate rout. History suggests a sideways, choppy baseline until the next instance of compelling data. This may limit the risk of floating relative to the past few days, but it also doesn't suggest enough upside for most clients to take the risk. Don't hold your breath for something like CPI or PPI to offer much support in the current economic environment. This market wants job-related data. Inflation only matters if it comes in hot. Otherwise, it's just some market mover that we used to know.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
 - o 4.20
 - o 4.15
 - o 4.05
- Floor/Resistance
 - o 3.77
 - o 3.82
 - o 3.87
 - o 3.95

MBS & Treasury Markets



MBS

30YR UMBS 5.0	+
30YR UMBS 5.5	+
30YR GNMA 5.0	+
15YR UMBS-15 5.0	+

US Treasuries

10 YR	4.013%	-0.017%
2 YR	3.961%	-0.034%
30 YR	4.296%	-0.011%
5 YR	3.847%	-0.021%

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