

MBS & TREASURY MARKETS

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MBS Recap: Bonds Seek Lower Yields, But not Too Deeply Yet



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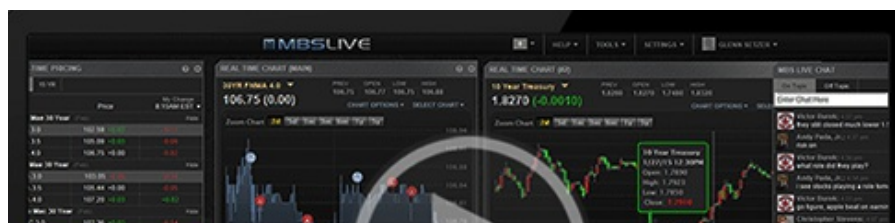
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Bonds Seek Lower Yields, But not Too Deeply Yet

MBS Recap | Matthew Graham | 4:52 PM

On Friday night, a vast majority of market watchers had never heard of the Chinese AI company DeepSeek. By mid morning today, it was all a vast majority of market watchers could talk about. DeepSeek's list of accomplishments includes: much lower cost than ChatGPT, similar competence to ChatGPT, and just in the past 24 hours, rising to the top of Apple's free app download chart. All of the above added up to some sort of real or imagined wake up call for investors on the real or imagined overvaluation of NVDA and the like. NVDA saw the biggest daily decline in market cap in history (something it's done several times due to the uncommon combination of its size and volatility). All of that money needed a home, and there was plenty of room in the bond market. Either that or investors were legitimately hedging against ongoing impacts. Either way, it's far too soon to conclude that this is the moment in history where the bond market knew that rates had finally turned a corner to head much lower (something that still requires disinflation confirmed with data, preferably in conjunction with lower Treasury issuance and softer econ data).





Watch the Video

MBS Morning

10:18 AM Big Bond Rally as Investors Dump AI Stocks

Econ Data / Events

- ○ New Home Sales
 - 698k vs 670k f'cast, 674k prev

Market Movement Recap

- 09:54 AM Sharply stronger overnight, but giving back some gains. MBS up a quarter point and 10yr down 8.3bps at 4.546
- 02:01 PM Some volatility, but broadly sideways since the open. MBS up 10 ticks (.31) and 10yr down 9.2bps at 4.537
- 03:25 PM MBS near best sustainably held levels, up almost 3/8ths. 10yr down 10.2bps at 4.528

Lock / Float Considerations

- The new week began with a bang thanks to the DeepSeek drama, but it's far too soon to conclude that this is a decisive turning point toward lower rates (something that still requires disinflation confirmed with data, preferably in conjunction with lower Treasury issuance and softer econ data). Risk of a snap back is just as high as any other outcome...

Technical/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
 - o 4.88
 - o 4.80
 - o 4.74
 - o 4.67
- Floor/Resistance
 - o 4.43
 - o 4.50
 - o 4.57

MBS & Treasury Markets



MBS

30YR UMBS 5.5	+
30YR UMBS 6.0	+
30YR GNMA 5.5	+
15YR UMBS-15 5.0	+

US Treasuries

10 YR	4.537%	-0.092%
2 YR	4.201%	-0.071%
30 YR	4.774%	-0.073%
5 YR	4.338%	-0.083%

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