

MBS & TREASURY MARKETS

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MBS Recap: Reasonably Reserved Reaction to Tariff Headlines



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Reasonably Reserved Reaction to Tariff Headlines

MBS Recap | Matthew Graham | 5:00 PM

If you were just watching headlines and making note of MBS Live alerts, it may have seemed like today's tariff news was a big deal for rates. And while tariffs definitely hit harder than this morning's PCE data, bonds are nonetheless heading out the door with only modest losses on the day, no losses for the month, and solid gains on the week. Today's video discusses the inherent uncertainties surrounding tariffs, not only with respect to legal implementation, but also the precedent of market impacts (focusing on the 2019 trade war). Granted, things could certainly be different this time, but we won't really know for sure any time soon.





Watch the Video

Update

8:37 AM Slightly Weaker After PCE Comes in on The Screws

MBS Morning

12:16 PM Temporary Volatility After As-Expected PCE Data

Alert

1:48 PM Back to Lows of The Day After Tariff Clarification

Alert

2:57 PM Negative Reprices Becoming More Likely

Econ Data / Events

- ○ Core PCE, MM
 - 0.2 vs 0.2 f'cast, 0.1 prev
 - Unrounded 0.16
- Core PCE, YY
 - 2.8 vs 2.8 f'cast, 2.8 prev
- Employment Cost Index
 - 0.9 vs 0.9 f'cast, 0.8 prev

Market Movement Recap

- 08:42 AM Flat overnight and initially weaker after data, but stabilizing now. MBS down 2 ticks (.06) and 10yr up 1.3bps at 4.531. Possibly some influence from Fed's Bowman comments on Monetary Policy not exerting pressure on economy.
- 01:14 PM MBS now back to unchanged. 10yr up only half a bp at 4.52
- 02:07 PM Back to weakest levels after tariff announcement. MBS down 3 ticks (.09) and 10yr up 2.3bps at 4.539

02:57 PM Additional selling. MBS down 7 ticks (.22) and 10yr up 5.1bps at 4.566

04:58 PM Off the weakest levels heading into the close. MBS down only and eighth and 10yr up only 2.8bps at 4.543

Lock / Float Considerations

- The coming week brings the typical batch of highly relevant early-month economic data culminating in Friday's jobs report. It goes without saying that Monday morning could see a big move in either direction depending on the nature of tariff news over the weekend. In general though, it will take so long for markets to sort out fiscal implications on rates that we can continue waiting for the same small group of key economic reports that have been setting the recent tone. There's no inherent lock bias in that stance, only the risk of volatility, for better or worse.

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	4.534%	+0.018%
2 YR	4.198%	-0.009%
30 YR	4.788%	+0.027%
5 YR	4.323%	-0.002%

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