

MBS & TREASURY MARKETS

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MBS Recap: In-Range Volatility on Tariff Headlines, But Broadly Sideways



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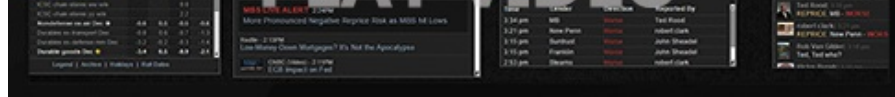


In-Range Volatility on Tariff Headlines, But Broadly Sideways

MBS Recap | Matthew Graham | 4:20 PM

If you are following along with intraday market movement and not taking breaks to zoom the chart out, volatility seems to be rather extreme at the moment. Bonds began the day in stronger territory, bounced back to unchanged in the first 30 minutes, rallied sharply after data, gave up the rally almost immediately thereafter and then continued selling back to unchanged levels just before the 3pm CME close. All of the above transpired in a 9bp range in 10yr yields, but moved if it was in a 4bp range. Tariff headlines are certainly good for some of that in-range volatility, but we have yet to see them set any big picture tones. Today's best attempt was the selling spree just after 10am ET following news that tariffs on Mexico would be delayed until March 1st.





Watch the Video

MBS Morning

10:45 AM Making Sense of Bond Market Reaction to Tariffs

Update

2:06 PM MBS Technically Down an Eighth From Most Recent High

Alert

2:35 PM Negative Reprice Risk Increasing

Econ Data / Events

- ○ S&P Manufacturing PMI
 - 51.2 vs 50.1 f'cast, 49.4 prev
- ISM Manufacturing PMI
 - 50.9 vs 49.8 f'cast, 49.3 prev
- ISM Prices
 - 54.9 vs 52.6 f'cast, 52.5 prev

Market Movement Recap

- 09:56 AM Slightly stronger overnight as stocks swoon on tariff announcements. MBS up 1 ticks and 10y down 2.9bps at 4.508
- 10:54 AM Lots of volatility surrounding 10am ISM data and US/Mexico tariff pause. MBS now down 1 tick (.03) and 10yr up 1.1bps at 4.526, both near the day's weakest levels.
- 02:06 PM Mostly holding a fairly narrow range, but currently at the lower end of that range with MBS down 2 ticks (.06) and 10yr yields down 0.3bps at 4.534
- 02:53 PM Just off weakest levels of the day. MBS down 3 ticks (.09) and 10yr up half a bp at 4.54

Lock / Float Considerations

- Despite over-the-weekend tariff news, bonds are broadly maintaining plenty of composure. Risk takers continue having some room overhead to set lock triggers. Risk averse clients can keep calm and lock on, until we see a clear data-driven shift in momentum in favor of lower rates. On that note, data represents elevated risks every day of the week, and especially on Thursday night heading into the jobs report.

Technicals/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

4.536%

-0.001%

2 YR

4.255%

+0.048%

30 YR
5 YR

4.763%
4.351%

-0.026%
+0.028%

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