

MBS & TREASURY MARKETS

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MBS Recap: Consolidation Continues Ahead of CPI



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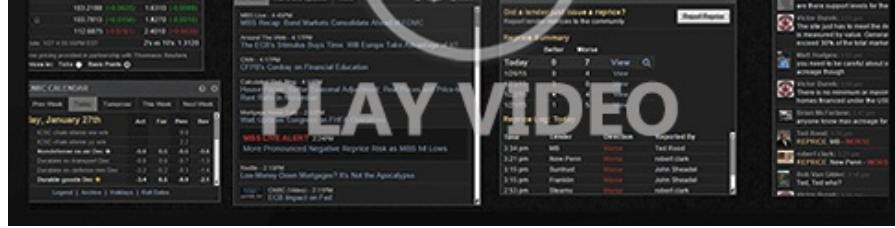


Consolidation Continues Ahead of CPI

MBS Recap | Matthew Graham | 3:55 PM

February 19th through March 3rd marked an exceptionally directional rally for bonds. The following day brought the big blow-up in German debt, and the start of the consolidation in US rates. Granted, if domestic economic data been weaker, the rally may have tried to soldier on, but after the jobs report came out near consensus, that was that. As has been the case for several years, the next major report after the jobs report is CPI, and CPI is arguably even more important at the moment. This isn't to say we're guaranteed to see a big reaction--only that the potential is there, should the data come in much higher or lower than forecast. As for today, it was just another in the ongoing consolidation with bonds determined to move back to the higher end of the recent sideways range after moving lower yesterday.





Watch the Video

Update

10:06 AM Weakest (Then Strongest) Levels After JOLTS Data and Tariff Headlines

Alert

11:37 AM Down an Eighth From Highs

MBS Morning

12:52 PM Increasingly Reluctant to Rally Without More Motivation

Alert

2:26 PM Negative Reprice Risk Increasing

Econ Data / Events

- ○ Job Openings
 - 7.74m vs 7.63m f'cast, 7.508m prev
- Job Quits (higher is worse for bonds)
 - 3.266m vs 3.197m prev

Market Movement Recap

- 09:39 AM Initially stronger early in the overnight session, then selling steadily. MBS down just over an eighth of a point. 10yr up 2.2bps at 4.232
- 01:29 PM Weaker into the PM hours but leveling off now. MBS down an eighth on the day and 10yr up 1.5bps at 4.227
- 02:26 PM 10yr yields are up 6.5bps at the highs of the day (4.276). MBS down 10 ticks (.31)

Lock / Float Considerations

- Even though bonds saw solid gains on Monday, the underlying message was largely the same as last week: rally momentum is overbought and it will take an increasing amount of "convincing" if we're to see additional meaningful improvement. While several factors can contribute to "convincing," none of them can have too much of an impact until and unless we see Wednesday's CPI come in at or below forecast.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
 - o 4.57
 - o 4.50
 - o 4.40
 - o 4.34
- Floor/Resistance
 - o 4.05
 - o 4.12
 - o 4.19

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	4.277%	+0.064%
2 YR	3.936%	+0.051%

2 YR
30 YR
5 YR

3.955%
4.595%
4.027%

+0.051%
+0.053%
+0.058%

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