

MBS & TREASURY MARKETS

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MBS Recap: Big, Early Rally, Then Flat All Day



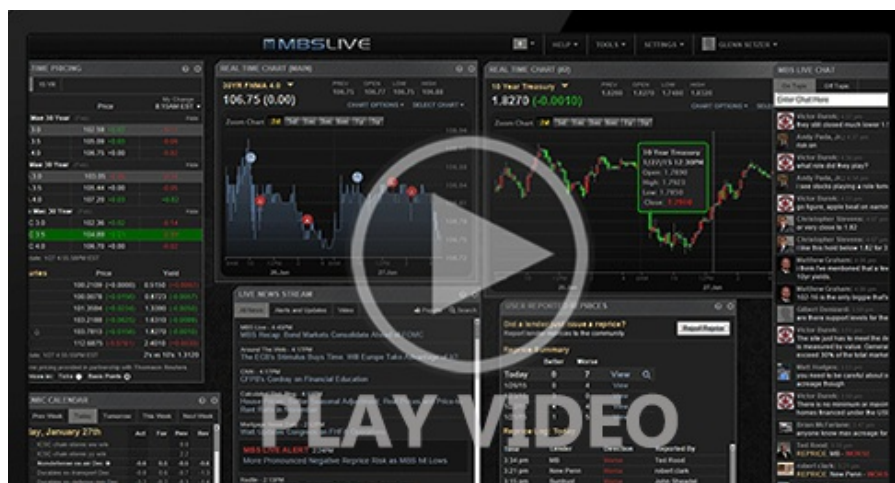
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Big, Early Rally, Then Flat All Day

MBS Recap | Matthew Graham | 4:47 PM

On any given day in the bond market, Sometimes everything that's going to happen ends up happening in the morning, thus leaving the rest of the day to drift almost perfectly sideways. Thursday was one of those days. Overseas markets dogpiled on Wednesday afternoon's tariff reaction, sending stocks ripping lower and bond yields following. By the time US markets began active trading, most of the gains were in for bonds. MBS, specifically, barely budged from 11:40am through the close.



Update

10:10 AM Additional Gains After Weaker ISM Data, But They're Not Sticking

MBS Morning

11:19 AM Global Markets in Flight to Safety After Tariff News

Econ Data / Events

- ○ Jobless Claims
 - 219k vs 225k f'cast, 225k prev
- Continued Claims
 - 1.903m vs 1.860m f'cast, 1.847m prev
- ISM Services
 - 50.8 vs 53.0 f'cast, 53.5 prev
- ISM Employment
 - 46.2 vs 53.9 prev
- ISM Prices
 - 60.9 vs 62.6 prev

Market Movement Recap

- 08:35 AM Stronger overnight as tariff rally extends. MBS up a quarter point and 10yr down 8bps at 4.044
- 01:01 PM Sideways near highs. MBS up 9 ticks (.28) and 01yr down 7.5bps at 4.048
- 04:17 PM Still sideways! MBS up 10 ticks (.31) and 10yr down 8.3bps at 4.041

Lock / Float Considerations

- Bonds have been benefiting in a major way from hefty stock selling. There's a shelf life on that motivation as well as a risk of a reversal that can happen in a much more volatile way. In other words, it's not as if the rally is being driven by a confirmed shift in economic data. Instead, it's driven by an expectation about the impact of an idea that hasn't even been truly implemented, and one that could

change on a whim. Floaters should proceed with caution.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
 - o 4.40
 - o 4.34
 - o 4.19
 - o 4.12
 - o 4.05
- Floor/Resistance
 - o 3.83
 - o 3.92
 - o 3.99

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	4.035%	-0.089%
2 YR	3.689%	-0.166%
30 YR	4.475%	-0.076%
5 YR	3.734%	-0.124%

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