MBS & TREASURY MARKETS

Daily Coverage. Industry Leading Perspective.

MBS Recap: Bonds Have a Lot On Their Minds (And The Mega Reversal After The Tariff Pause)



Richard Ray

Managing Partner, Caliver Beach Mortgage

Caliver Beach Mortgage P: (240) 552-5369 M: (202) 390-4483

500 Redland Court Suite 300 Owings Mill 21117 NMLS License Look Up Zillow Ratings



Bonds Have a Lot On Their Minds (And The Mega Reversal After The Tariff Pause)

MBS Recap Matthew Graham | 5:21 PM

There are actually too many relevant considerations for bond market movement to attempt to put them all in one headline. Everyone can agree that today's main event was the announcement of a 90 day pause on tariffs and the ensuing mega reversal across multiple corners of the financial market. The stock reversal was the most insane, but MBS put up some numbers as well, with nearly a 1 point round trip from weaker to back to unchanged. Much like yesterday, the best way to bring yourself up to speed on the current esoteric underpinnings is to take 10 minutes with today's recap video.

For those who cannot or will not, here's the quickest and dirtiest list we can offer:

Things that have caused bonds to lose ground even as stocks have also lost ground:

• Unwinding/deleveraging of the Treasury carry trade, which involves highly leveraged repo market borrowing to fund trades that capitalize on microscopic differences between cash and futures in Treasuries

- Liquidations to raise cash for a variety of reasons (uncertainty, opportunities in other parts of the market, tax season payments, etc)
- Expectations/fears regarding foreign central bank Treasury demand (NOTHING to do with China/Japan weaponizing Treasury holdings to teach us a lesson, and everything to do with the fact that foreign countries won't need to buy as many Treasuries if we have weaker trade relationships).
- Doubts regarding the balance of spending and revenue in an environment where revenue increasingly relies on tariffs/trade
- Doubts about how well this week's Treasury auction cycle could be facilitated
- Technical correction to last week's sharp rally
- Inflation considerations surrounding tariffs

Since tariffs are a big part of many of those bullet points, it makes sense to see relief in bonds after the 90 day delay, and it also makes sense that Treasuries still have some things to worry about (hence not being back to unchanged levels).

	MMBSLIVE	I HALF HALL MINGS	GLOW SELECT +
INE PROVIDE OF O	REAL THE CHART MANE	0.0 REAL TIME CHURT (KD)	WES LIVE OWNT
nue analise	106.75 (0.00)	1 10.00 10.0	
Not 2017 From From From 4 Not 2017 From From 5 Not 2017 From From 6 Not 2017 From From 10 Not 2017 From From	See Carl M State Sector Sector	Annual Charles and State State State State States States	
la de la de la construir de la de la de la construir de la con	Mr. M	And	A state and a first part of the state of the
10 100 100 100			Christian Streem 1.1
ne sprace server state Mar Pros Vend Salars and server a state in constra	ter in de la site de la site		Reflect Codent 111 of 1
1000011-00000-00000-00000 100000-00000-00000-00000 100000-00000-00000-00000	And and an interest to the	and these DECEMPORT PROFE	An
a salawa na may katala katala ng aka katala katala ng aka katala katala	Well Low- A SHAW WELL Thomas from Markets Consolidate Albert 1970 Award The Mail & UNM The CCT's Dimension Toms Will Competitions	and a second second	Chapter
e prizieg provided in performing with Theoreman Royalem, and Roy Table 🔹 Rank Rank 👌	One a time OTTES Centre an Financial Education	Testay 0 7 Ver Q	The first pro-
ecoupera e	THE R PROPERTY AND	/MDEA	The for Dariely 1 (1997) There is no meanwhile of mar- banas transaction for the
y, January 27th Aut for Person Aut Collected and a state of the State	MAN DOT ALLOS TOP		The second secon
Residence on an Dec 8 . 44 . 44 . 44 . 44 . 44 . 44 . 44 .	More Pronounced Negative Teprice Tisk as Mil	3.21 pm Now Parts Martin Address	Entering Total Contemport
Dentine prover line 10 13 13 13 14 Dentine prover line 1 14 14 14 14 14	Audio - 2 1914 Line Manage Count Mangages ¹ I's Not the Apocatges Line 1, Kind Council 2 1914	115 pm Switch Tools JAA Deable 115 pm Fuestion Water Arts Deable 135 pm Dearly Noted State	Ted, Ted, Select 1 1 1
	and 100 separat fed		2 Partie Break Line Annue

Watch the Video

MBS Morning

9:14 AM Bonds Pummeled Overnight. It Won't Make Sense Unless You Watch The Video

Alert

11:40 AM Losing Ground From AM Highs; Reprice Risk Varies Significantly

Upda	ite			
1:11 PM	Мос	derate Friendly Bump on Strong 10yr Auction		
Update				
1:25 PM	Mor	e Volatility as 90 Day Tariff Pause Announced		

Market Movement Recap

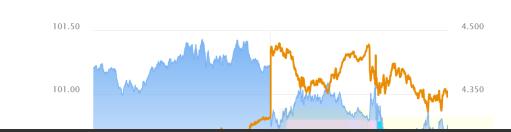
- 10:01 AM Decent push back against overnight weakness since about 9:15am. MBS still down 3/8ths, but up almost half a point from lows. 10yr still up 6.8bps at 4.368, but down from overnight highs over 4.50%.
- 12:25 PM re-weakening to worst levels of the day. MBS down just over 3/4ths of a point and 10yr up 12.7bps to 4.428
- ^{01:04 PM} Improving after stronger Treasury auction. MBS not so much, but 10yr down several bps to 4.391 (still up 9+ on the day).
- 03:04 PM MBS at best levels, now down only 6 ticks (.19) and 10yr up 9bps at 4.39

Lock / Float Considerations

The first 2 days of this week have served as a sobering reminder: rallies that are built on something as capricious as tariff policy are notoriously at risk of major reversals and ongoing volatility. At this point, market sentiment is shifting in a way that makes it hard for bonds to improve much, even if the tariff news improves. Either way, the takeaway is the same: it makes more sense to be defensive until we see how Treasuries are doing after this week's auctions and inflation data.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
 - **4.48**
 - 4.40
- Floor/Resistance
 - **3.92**
 - **3.99**
 - ° 4.05
 - ° 4.12
 - **4.19**
 - **4.34**



MBS & Treasury Markets

[©] MBS Live, LLC. All rights reserved. This newsletter is a service of MBS Live.



MBS

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

US Treasuries				
10 YR	4.352%	+0.052%		
2 YR	3.905%	+0.175%		
30 YR	4.891%	+0.117%		
5 YR	4.052%	+0.131%		

÷

Open Dashboard

Share This