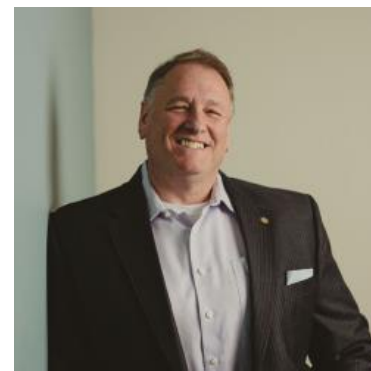


MBS Recap: Bonds Have a Lot On Their Minds (And The Mega Reversal After The Tariff Pause)



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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:

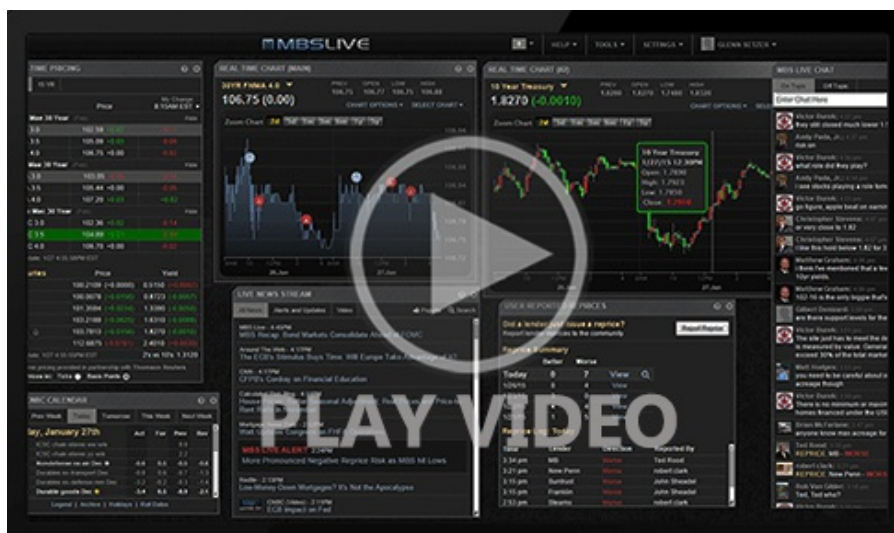
Things that have caused bonds to lose ground even as stocks have also lost ground:

- 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 trade as a lesson, and everything we 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).



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

Update

1:11 PM Moderate Friendly Bump on Strong 10yr Auction

Update

1:25 PM More 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

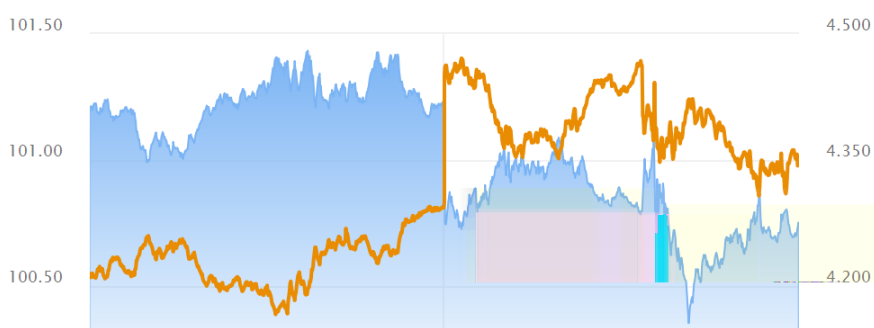
Lock / Float Considerations

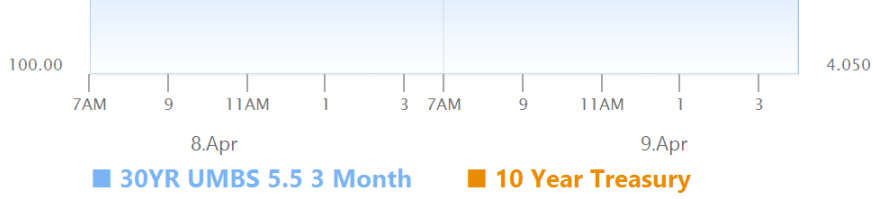
- The first 2 days of this week have served as a sobering reminder: rallies that are built on something as capricious as tariff policy are notoriously at risk of major reversals and ongoing volatility. At this point, market sentiment is shifting in a way that makes it hard for bonds to improve much, 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")
 - o 4.48
 - o 4.40
- Floor/Resistance
 - o 3.92
 - o 3.99
 - o 4.05
 - o 4.12
 - o 4.19
 - o 4.34

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

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