# MBS & TREASURY MARKETS

Daily Coverage. Industry Leading Perspective.

# MBS Recap: The Reasons May be Esoteric, But The Selling is Real



Paul E Smith Owner, Main Street Mortgage Company

www.texasmainstreet.com P: (713) 528-1245 M: (713) 480-7385

3100 Richmond Ave Houston TX 77098 MSMC NMLS 296814 Paul E Smith NMLS 193580



## The Reasons May be Esoteric, But The Selling is Real

MBS Recap Matthew Graham | 5:07 PM

Bonds sold off today, in spite of a very bond-friendly CPI. One reason for that is the market's assumption that it will need to wait and see what tariffs do to inflation in the coming months. Another reason is the laundry list of reasons discussed in yesterday's recap. A new reason added to today's mix in the form of the passage of the budget framework in the House. As passed, there is \$1.5 trillion in spending cuts staked simply on reassurances from Johnson and Thune. Markets didn't love the implications for Treasury issuance. The long end of the yield curve (10yr, 30yr, etc) took most of the damage while Fed rate expectations keep the short end of the curve anchored (i.e. a 2yr Treasury won't drift too far above medium term Fed Funds Rate expectations). So bonds had selling to do and 2s weren't eligible, per se. Result: bigger sell-off than we otherwise would have seen in 10s/30s.

			MMBS	SLIVE	101				GLOWN NETS	
INC FROM	6	0.0	BEALTINE CHART MANE	0.0	REAL THE ON	NT (40)			1000000000	MES LIVE OWN
10.18			STREEMAN &	Main State Line mile Solution Solution Solution Solution	10 Year Treas	w *				COTON OF MAN
	Pere	No-Change	106.75 (0.00)	CHARLOW CONTRACTOR	1.8270 (*				CALLER CALVER CATALONS = 18	Sear Ductions
Not 10 Year Com		Annual Control and Their State State State State State		Josephan Mar Tell Tell Tell Tell Tell Tell				The second second second second		
					Times Orac 1			11040		
										And Parks, St. 1.1 and
	10675-680					1		10 Feat Treasure		Constant Darak a logo
ten 10 Year -			1.1.1	104.04		1 A A	. A.s.	1,07,75,12,36	194 Av.	and non-the Rey play?
			1.1.105		1.0.0		8	Open: 1,24345		AND AND PARAMETERS
	10144-010		a second second	THE REPORT OF A	12.1	100		High: 107423	100	These stocks playing a role to
	10720-011		- Di - 1600 - C					Open 1 7910		The Darbox Darbox, 1
Real Print										an light apple beaf of eart
						_		1	1 C	Charlester Environ 1 + 17
	NO488 1175							- Name	2	All a restaura sur

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



Watch the Video

Update	
8:34 AM CPI Drops Sharply. Bo	nds Adding to Overnight Rally
Alert	
9:08 AM Bonds Now Weaker D	espite CPI Beat
Alert	
11:44 AM Negative Reprice Risk	Increasing
MBS Morning	
11:49 AM CPI Finally Drops Big,	Just in Time to be Irrelevant
Alert	
3:24 PM Negative Reprices Bec	oming Increasingly Likely

#### Econ Data / Events

- • Core MM CPI
  - 0.1 vs 0.3 f'cast, 0.2 prev
  - unrounded 0.057
  - Core YY CPI
    - 2.7 vs 3.0 f'cast, 3.1 prev
  - MM Headline CPI
    - -0.1 vs 0.1 f'cast, 0.2 prev
  - Jobless Claims
    - 223k vs 223k f'cast, 219k prev

#### Market Movement Recap

### 11:19 AM Paradoxically modestly weaker after CPI data. MBS down 5 ticks (.16) and 10yr down 1.3bps at

4.34 ( up from lows of 4.29+).

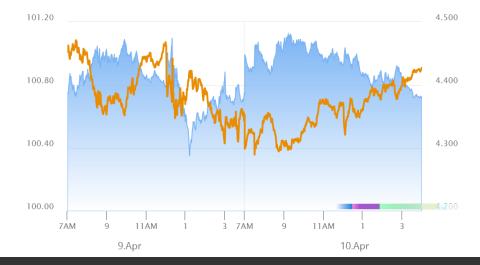
- 12:13 PM Weakest levels. MBS down nearly 3/8ths and 10yr up 2bps at 4.373
- 03:30 PM New lows, down almost half a point in MBS and up 5bps at 4.40 in 10yr yield.

#### Lock / Float Considerations

The current rate environment is one in which is makes absolutely no sense to assume that what you see today will be available tomorrow. It's not the worst-ever example of such a dynamic, and this doesn't mean we're immune from a friendly bounce, but it does mean that the weakness we've seen this week does not entitle bonds to a bounce simply for technical reasons. Data is in the back seat as well, so motivations are especially hard to predict and prepare for.

#### Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
  - **4.48**
  - ° 4.40
- Floor/Resistance
  - **3.92**
  - o **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.

<b>30YR UMBS 5.5 3 Mont</b>	n 🛛 📕 10 Year Treasury
-----------------------------	------------------------

MBS

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

US Treasuries					
10 YR	4.431%	+0.079%			
2 YR	3.877%	-0.045%			
30 YR	4.889%	+0.148%			
5 YR	4.074%	+0.034%			

**Open Dashboard** 

Share This