Daily Coverage. Industry Leading Perspective.

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



KV Mortgage



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.

| | MMBSLIVE | 🖬 • HEAF • HOLE • MITHING • 📗 GLOBE BED | |
|---|--|---|--|
| THE PROVIDE OF O | INCAL THE CHART MANY 0 0 | REAL THE CHART (R) | MUS LIVE OWN |
| na | Spectrowak 4.8 ************************************ | 10 Teac Tensory * 100 - 100 + 10 | Chine of two |
| Hase 18 Year Face Face 3.8 Hall Mill Control Hall Mill 3.8 Hall Mill Control Hall 4.9 Hall Mill Control Hall 4.9 Hall Mill Control Hall | Anna Carl Se Sar Sar Sar Sar Sar Sar | Anne Case of the State State State State State State | Every and chosed much lower 1 Andry Parlin, Jun 2 11 and Andry Parlin, Jun 2 11 and Andry Parlin, Jun 2 11 and Andrew Daraho and and State Parlin and Angelery 7 |
| Hard (Mass / 1-1) Feat / 1-1 3.9 Mid M. (10) //2/4 | Mary Million | A Contraction of the second | Antip Tests, ACI Concernent Rest States States and Acid Strates Inser States States and Acid Strates Rest States States and Acid Strates States States Rest. 1 (2014) |
| C33 NO26 -1-0 E5 S3 NO26 -1-0 E5 S3 S4 S4 S4 S4 S4 S4 S4 S S4 S | | | Christopher Streemen of a arway close is 1.82 Christopher Streemen of a close bio hard below 1.82 for Waldrag Contents |
| Pice Yes 100,200 (+0.000) 0.010 (+0.000) 100,000 (+0.000) 0.010 (+0.000) 100,000 (+0.000) 0.010 (+0.000) 100,000 (+0.000) 1.000 (+0.000) | The second secon | A A A A A A A A A A A A A A A A A A A | Restlower Contact: |
| 00.200 (1.000) 1.000 (1.000) 0 00.700 (1.000) 1.000 (1.000) 1.0005 (1.000) 2.404 (1.000) 36 (0.1010) 2.60 (0.100) | MICLON, A COM MICL Recard Database Consultants ACC MICL (COAS) Annual Net Market A COM The COAS Seconds Recard Tests Will Compare Table (Coast Seconds and Recard Tests) | Contraction of Society and Society Soc | Partie Bank, 10 an De sie jast hat is need he is neuescartite volue Gener ecced 30% of the bits need |
| ne petrop provided in performing with Thomson Readow News are: Tathe (): Rook Parts () | CONFLORING IN Financial Education | Teday 6 7 View Q | Well Handpoor |
| NECOLDERA 0 | THE R. P. LEWIS CO., No. 7 (1981) | | The for Dariels in the mean of the format oo the format oo the format oo the format oo |
| lay, January 27th And You Paul And | | HUCU | The first Market of Care anyone loss man accessed |
| Autobios man (er s. 44 44 44 44 Deuter en trappel (er . 44 44 44 44) 44 Deuter en trappel (er . 44 44 44) 44 Deuter en trappel (er . 44 44 44) 44 | More Pronounced Negative Reprice Risk as MISS M LowS Nade - 2 USM Law Morey Own Workpage 7 Yo Not the Apocalizer | 2 3 Jac pen MB Lincols Text Road 3 37 pen Alex Penni Roads Address Add | And Van Galer, 1974 |
| Logend (Autors) Makings) Rel Dates | Contract 1 1976 | 233 pm Diraction terrine system (see a | Ted, Ted and T |

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

Watch the Video

| Update |
|---|
| 8:34 AM CPI Drops Sharply. Bonds Adding to Overnight Rally |
| Alert |
| 9:08 AM Bonds Now Weaker Despite 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 Becoming 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.

| 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