

MBS & TREASURY MARKETS

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MBS Recap: Bonds Build on Overnight Gains After Another Tariff Change



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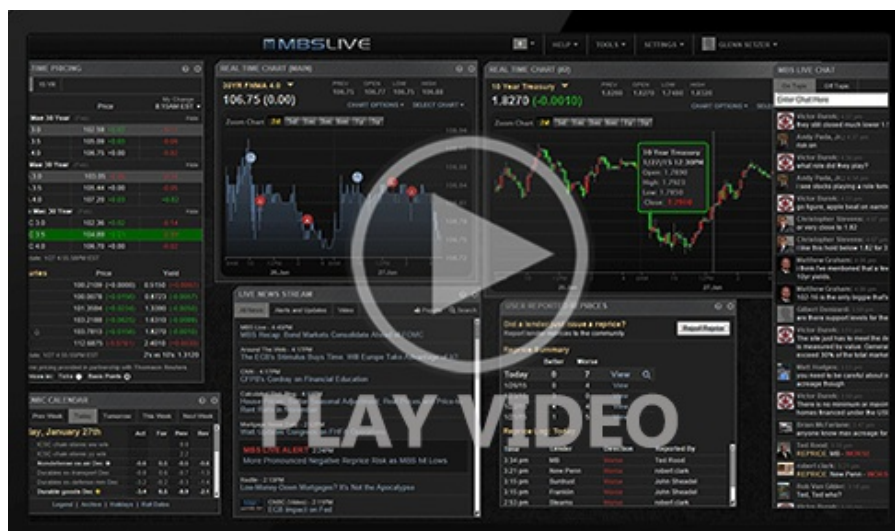
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WILLIAM RAVEIS

Bonds Build on Overnight Gains After Another Tariff Change

MBS Recap | Matthew Graham | 4:17 PM

It was a low drama session for bonds with overnight gains managing to remain intact during the AM hours and additional improvement in the PM hours. There wasn't any glaringly obvious individual market mover during domestic hours, although some would say comments from Fed's Waller certainly didn't hurt. Rather, we saw consistent, moderate, generalized buying demand as traders need not price in as much panic as last week if the tariff outlook is becoming progressively less onerous. Whether this is a brief reprieve remains to be seen. And we may have to wait a bit longer to sort that out considering there are only 2.5 more days left to trade this week due to the holiday calendar.



Watch the Video

MBS Morning

10:10 AM Cautious Optimism on Electronic Tariff Exclusions

Econ Data / Events

- ○ NY Fed Inflation Expectations
 - 1yr : 3.6 vs 3.1 prev

Market Movement Recap

- 09:41 AM Stronger overnight on electronic tariff exemptions. MBS up half a point and 10yr down 9.2bps at 4.058
- 11:04 AM Modest additional gains after NY Fed inflation data. MBS up 13 ticks (.41). 10yr down 10bps at 4.05
- 01:20 PM Best levels of the day in Treasuries. 10yr down 11.7bps at 4.033. MBS up 12 ticks (3/8ths).
- 03:26 PM Just a bit stronger. MBS up just over 5/8ths and 10yr down 11.8bps at 4.373

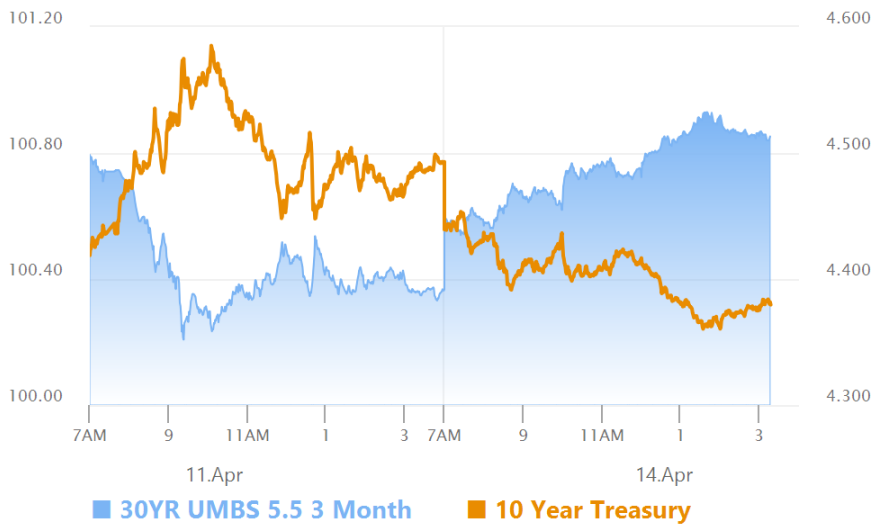
Lock / Float Considerations

- Stocks and bonds are making another attempt to calm down and push back against the recent weakness at the start of the new week. As we saw last Wednesday, a rebound carries no guarantee of sustainability, but the more this pattern is repeated (markets freak out, tariff policy updated, markets cool down), the more the market will doubt the realization of more dire tariff/trade scenarios. The result is simply lower odds of the sorts of big day-to-day swings seen recently. To be clear, there is no directional connotation here--just a volatility connotation. In general, volatility risk is still much higher than normal until further notice--just not quite as high as last week.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
 - o 4.64
 - o 4.48
- Floor/Resistance
 - o 3.99
 - o 4.05
 - o 4.12
 - o 4.19
 - o 4.34
 - o 4.40

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	4.379%	-0.111%
2 YR	3.845%	-0.122%
30 YR	4.810%	-0.058%
5 YR	4.013%	-0.137%

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