

MBS & TREASURY MARKETS

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MBS Recap: Don't Sweat The Modest Weakness



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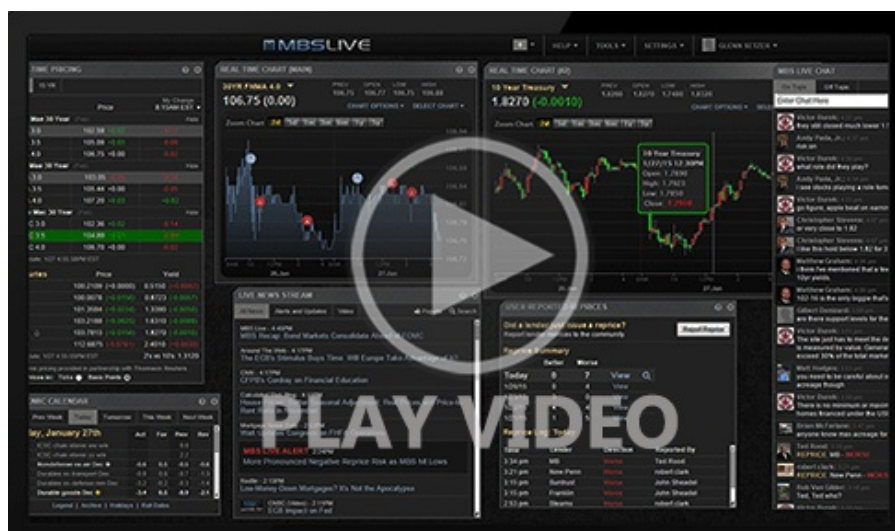
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Don't Sweat The Modest Weakness

MBS Recap | Matthew Graham | 4:47 PM

Bonds began the day roughly unchanged and very flat for most of the morning. MBS began falling as we moved into the PM hours, ultimately resulting in a handful of negative reprices, about a quarter point of weakness, and a 4+bp jump in Treasury yields. If the frame of reference is limited to the domestic session, this is a moderate sell-off at best, but in the bigger picture, it was not even worth mentioning, let alone considering as a cause of concern. Bonds are heading into the 3 day weekend at much less alarming levels than last week, and with the the same requirement to wait for clarity on fiscal policies before the next major movement is revealed.



MBS Morning

10:45 AM Slow Start, Narrowest Range, Early Close

Alert

12:32 PM Weakest Levels Of The Day

Econ Data / Events

- ○ Jobless Claims
 - 215k vs 225k f'cast, 224k prev
- Philly Fed
 - -26.4 vs 2.0 f'cast, 12.5 prev
- Philly Fed Prices
 - 51.0 vs 48.3 prev
- Philly Fed New Orders
 - -34.2 vs 8.7 prev

Market Movement Recap

08:43 AM Initially weaker overnight, then reversing into U.S. hours. Slightly stronger after data. MBS down 1 tick (.03) and 10yr up 0.7bps at 4.285

12:37 PM Weakest levels now. MBS down an eighth and 10yr up 5.1bps at 4.329

Lock / Float Considerations

- Markets sent a strong message to the administration regarding the implementation of tariff policies and the administration adjusted. Markets have subsequently adjusted back to the pre-tariff range. Volatility risk remains higher than normal and the farther yields fall into the pre-tariff range (roughly 4.15 - 4.40% in 10yr yield), the more a defensive strategy makes sense.

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	4.326%	+0.048%
2 YR	3.800%	+0.026%
30 YR	4.800%	+0.070%
5 YR	3.939%	+0.038%

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