

MBS & TREASURY MARKETS

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MBS Recap: Bonds Lose Almost All The Gains After Inflation Warnings in The Data



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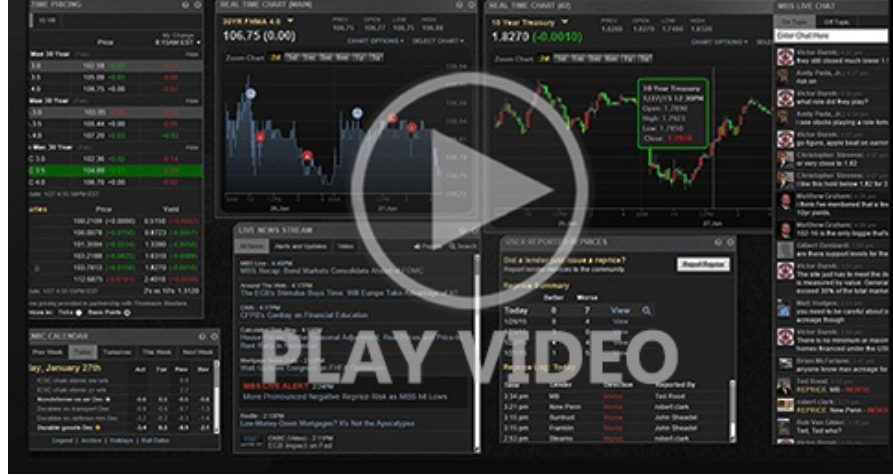
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Bonds Lose Almost All The Gains After Inflation Warnings in The Data

MBS Recap | Matthew Graham | 4:41 PM

Bonds started out sharply stronger today after Trump walked back previous comments on Fed Chair Powell. Headlines regarding lower tariffs for China also helped, but they helped stocks more. The good times began unravelling with the 9:45am S&P PMI data. Both manufacturing and services PMIs showed sharp increases in prices. This is one of the first clear examples of tariffs impacting inflation data. Markets were quite willing to trade the data this time (unlike with the recent CPI/PPI releases--probably because those showed lower inflation in a world that feared higher inflation) with bonds ultimately almost fully erasing the AM gains.



Watch the Video

MBS Morning

10:17 AM What's Up With Today's Big Bond Rally?!

Alert

10:34 AM MBS Still up Big But Well Off Highs (Hit by PMI Price Data)

Alert

12:17 PM Additional Negative Reprice Risk

Econ Data / Events

- ○ S&P Global Services PMI
 - 51.4 vs 52.5 f'cast, 54.4 prev
- S&P Global Manufacturing PMI
 - 50.7 vs 49.1 f'cast, 50.2 prev

Market Movement Recap

- 10:05 AM Sharply stronger overnight on Trump's reversal on Powell/China. MBS up nearly half a point and 10yr down 9bps at 4.304
- 10:41 AM Losing some ground as bonds react to inflation implications in PMI data. MBS still up 3/8ths, but down a quarter point from highs. 10yr down 5.8bps at 4.338 but up 7bps from lows.
- 03:39 PM More selling, but finding some support. MBS still up an eighth on the day and 10yr down 1.7bps at 4.38

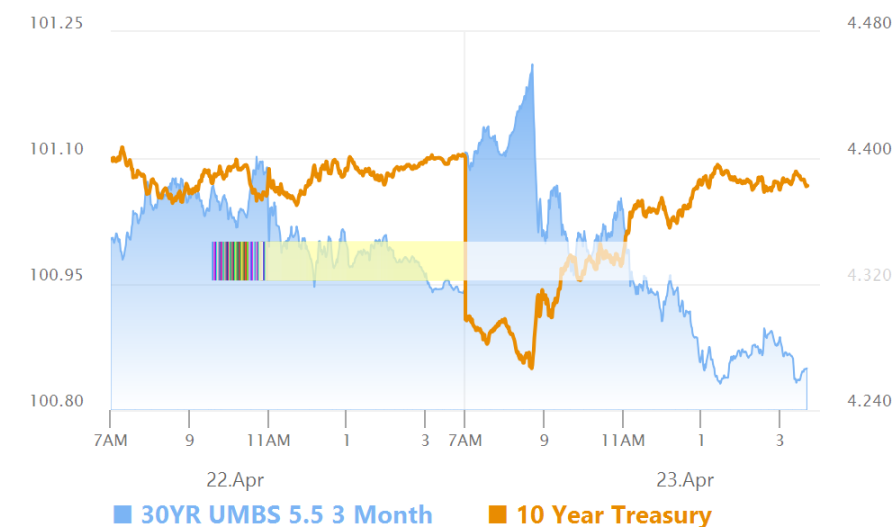
Lock / Float Considerations

- Rates/bonds find themselves in the unfortunate and frustrating position of being more prone to react to fiscal headlines than to economic data. This means that things may look fairly calm at times when headlines are uneventful, but volatility can pop at a moment's notice if the headlines pick back up. Clarity on tariffs/trade and the status of Fed Chair Powell's tenure will be needed in order to move past this period of elevated directional risk for rates.

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	+

US Treasuries

10 YR	4.383%	-0.014%
2 YR	3.867%	+0.051%
30 YR	4.824%	-0.056%
5 YR	4.006%	+0.016%

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