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MBS Recap: No Whammies in Treasury Borrowing Estimate



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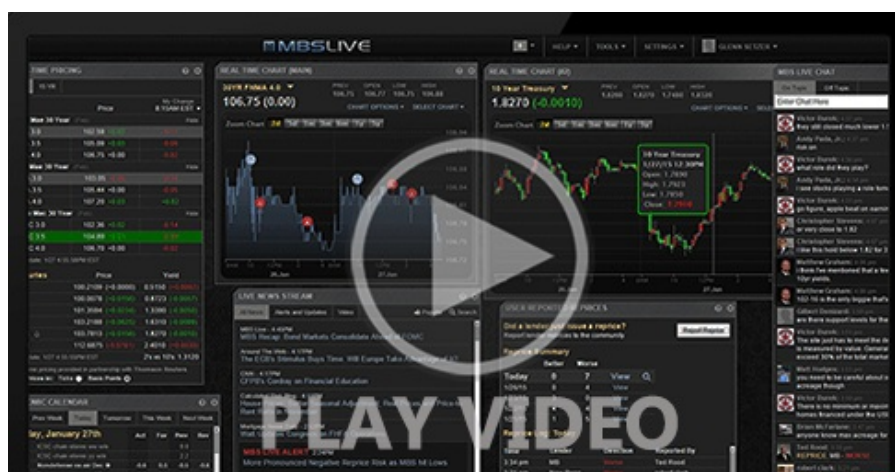
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No Whammies in Treasury Borrowing Estimate

MBS Recap | Matthew Graham | 4:11 PM

Bonds were slightly weaker overnight but quickly moved into stronger territory as volume and liquidity ramped up for the new week. Gains were modest and linear--largely extending the friendly trends seen last Thu/Fri. The only key calendar event was the Treasury refunding estimates this afternoon. While there are some potentially alarming ways to read the newswires (i.e. "June borrowing estimates up to \$514b vs \$123b previously"), the large apparent change is due to accounting and not reflective of a \$391 bln increase in spending or decrease in revenue. In other words, there were no whammies for the bond market. If anything, it was treated as good news based on yield movement at 3pm ET.





Watch the Video

MBS Morning

11:39 AM Bonds Starting New Week at Last Week's Best Levels

3:48 PM

Market Movement Recap

- 10:21 AM Moderately weaker overnight, but pushing back since 9am ET. 10yr up 1.3bps at 4.25 and MBS down 2 ticks (.06).
- 01:33 PM Gains continue. MBS up 1 tick (.03) and 10yr down 1.2bps at 4.225
- 03:20 PM Favorable reaction to Treasury refunding estimates. MBS up 2 ticks (.06) and 10yr down 3.0 bps at 4.205

Lock / Float Considerations

- The shift away from triple digit tariff brinksmanship has coincided with a calmer, stronger trading pattern in both stocks and bonds. We'd view this in the context of a range trade for now. i.e. if yields are closer to the lows from March, we'd feel more defensive while yields near April's highs could look more like an opportunity. The coming week brings some legitimate dependence on econ data and other scheduled events (like Treasury refunding announcements) on all 5 days. As such overnight floating carries increased risk.

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	4.213%	-0.023%
2 YR	3.688%	-0.048%
30 YR	4.687%	-0.021%
5 YR	3.814%	-0.041%

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