

MBS & TREASURY MARKETS

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MBS Recap: Action Packed Calendar But No Major Action in Bonds

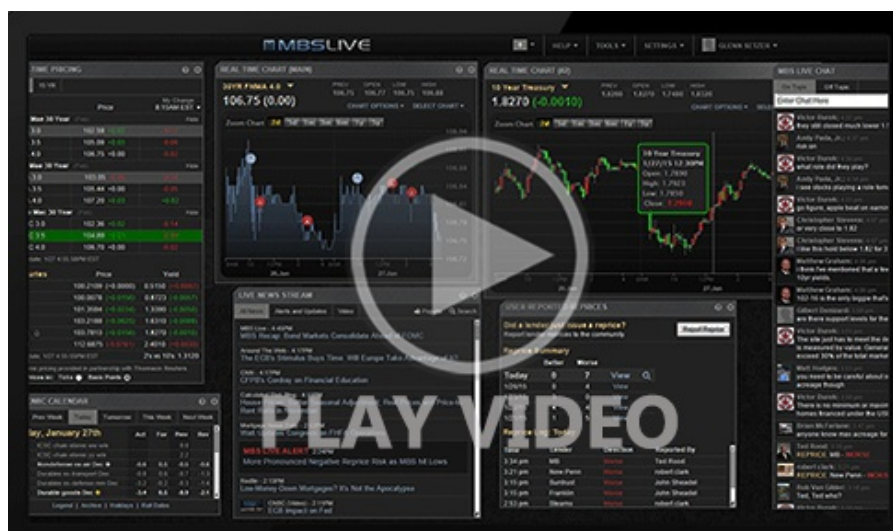


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Action Packed Calendar But No Major Action in Bonds

MBS Recap | Matthew Graham | 4:50 PM

This morning's economic calendar was certainly the most action-packed of the present week. GDP had something for everyone. The evening news can no doubt harp on the "negative" headline while the financial market immediately understood the impact of a massive surge in imports. Numbers that exclude those accounting impacts make domestic consumption look normal and right in line with last quarter. Inflation was tame, but traders are waiting for future, tariff-affected reports. Treasury issuance was confirmed to hold flat, and the "massive" 6% increase in pending home sales is like a team who won 2 games this year vs 1 game last year saying their won 100% more. By the end of the day, bonds were almost perfectly unchanged, even after month-end trading brought a big of volatility at 3-4pm ET.



Alert

8:38 AM Bonds Losing Ground Despite Weaker GDP Headline

MBS Morning

11:31 AM Lots of Econ Data and Mixed Messages, But Not Much Change in Bonds

4:31 PM

Econ Data / Events

- - Employment Cost Index
 - 0.9 v 0.9 f'cast, 0.9 prev
 - GDP
 - -0.3 vs +0.3 f'cast, 2.4 prev
 - Core PCE QoQ
 - 3.5 vs 3.3 f'cast, 2.6 prev
 - GDP Final Sales
 - -2.5 vs +3.3 prev
 - Monthly core PCE
 - 0.0 vs 0.1 f'cast, 0.4 prev

Market Movement Recap

- 09:47 AM Initially weaker following data, but bouncing back on safe-haven buying (stock selling). MBS up 1 tick (0.03) and 10yr down 1.9bps at 4.157
- 10:22 AM Choppy trading, but generally resolving toward strength. MBS unchanged and 10yr down 1.4bps at 4.163
- 12:58 PM Still mostly sideways, with choppy trading dying down. MBS unchanged and 10yr down 1.2bps at 4.165
- 03:43 PM A bit stronger after 3pm month-end bond buying. MBS up 2 ticks (.06) and 10yr down 2.6 bps at 4.15

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. Data dependence is still a thing--especially this week with several big ticket reports yet to be released. 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	4.167%	-0.010%
2 YR	3.611%	-0.037%
30 YR	4.679%	+0.026%
5 YR	3.734%	-0.031%

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