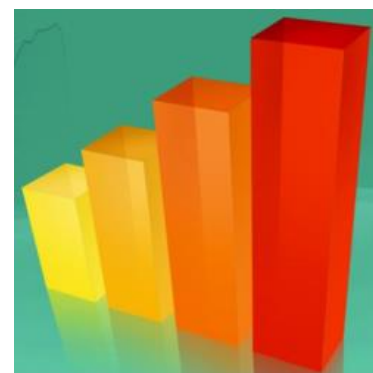


MBS & TREASURY MARKETS

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MBS Recap: Bonds Brace For More Data-Driven Volatility



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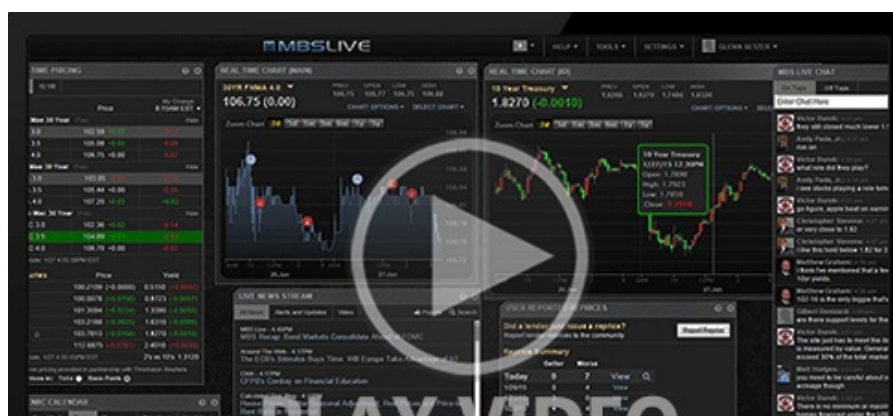
San Francisco CA 94123



Bonds Brace For More Data-Driven Volatility

MBS Recap | Matthew Graham | 4:18 PM

Today's ISM Manufacturing data played the role of coalmine canary today, and although it's not the most vigorous canary anyone's ever seen, it also wasn't dead. That wasn't good for bonds today as ISM is viewed as a good early indicator at times when the market is waiting for a certain shoe to drop (in this case, tariff/policy/uncertainty impact on econ data). ISM is also often heavily traded due to its proximity to the big jobs report (in this case, the following morning). If nothing else, the market's willingness to react to economic data once again is fully confirmed.





Watch the Video

Update

8:33 AM Extending Overnight Gains on Jobless Claims Data

Alert

10:08 AM Losing Ground After ISM Data

MBS Morning

11:26 AM ISM Manufacturing Data Surprises Bonds (Not in a Good Way)

Alert

12:31 PM Negative Reprices Becoming Likely

3:46 PM

Econ Data / Events

- - o Jobless Claims
 - 241k vs 224k f'cast, 223k prev
 - o Continued Claims
 - 1916k vs 1860k f'cast, 1833k prev
 - o ISM Manufacturing PMI
 - 48.7 vs 48.0 f'cast
 - o ISM Prices Paid
 - 69.8 vs 70.3 f'cast, 69.4 prev

Market Movement Recap

- 08:33 AM MBS up just over an eighth and 10yr yields are down 3.5bps at 4.126 after claims data.
- 10:23 AM weaker after ISM. MBS down 2 ticks (.06) and 10yr up 3.6bps at 4.196
- 12:27 PM MBS now down 6 ticks (.19) and 10yr up 6.7 bps at 4.227.
- 02:30 PM MBS now down a quarter point and 10yr up 7.7bps at 4.238

Lock / Float Considerations

- Bonds remain receptive to any major fiscal developments or tariff/trade updates, but those concerns are rapidly passing the spotlight back to big-ticket economic data. In other words, data didn't matter for a bit, but now it does again. That's an important realization with the jobs report on deck. Rates are still near the lowest levels in almost 3 weeks and Friday's data carries significant volatility potential. Floating here is only for bigtime gamblers or clients that want to bet that prices stay low and the economy will progressively worsen.

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	4.215%	+0.055%
2 YR	3.700%	+0.093%
30 YR	4.719%	+0.034%
5 YR	3.799%	+0.071%

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