

MBS & TREASURY MARKETS

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MBS Recap: Surprisingly Big Sell Off Relative to The Inspiration



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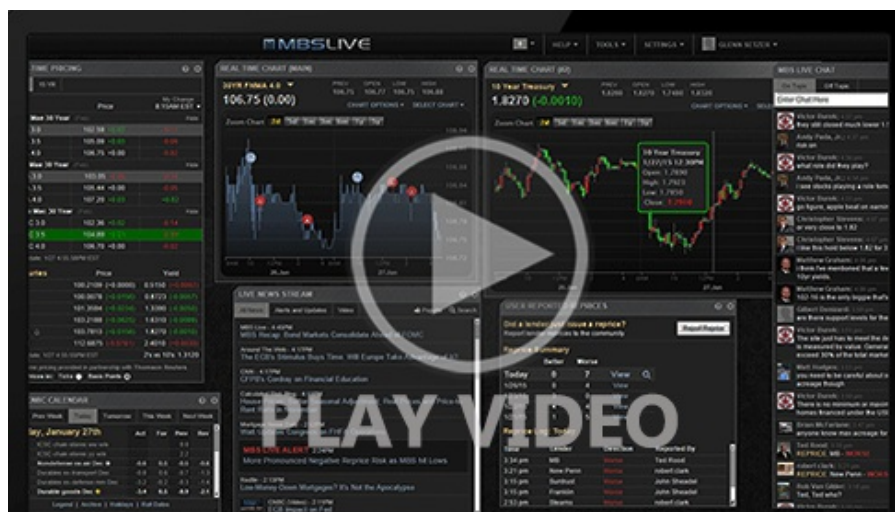
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Surprisingly Big Sell Off Relative to The Inspiration

MBS Recap | Matthew Graham | 4:51 PM

Bonds ended up selling off somewhat sharply today with the bulk of the blame apparently reserved for the UK/US trade deal. In fact, the pace of the selling wasn't something we would have predicted when the details emerged this morning. This raises questions about what other motivations could be in play. Certainly, the "precedent thesis" is relevant (i.e. what does today's deal imply about how other trade deals may look?). The simplest way to approach it would be to conclude that tariffs will go up enough to increase inflation, but not so much as to hinder growth--both bad for bonds and for the Fed's rate cut prospects.



Alert

10:37 AM MBS Down to New Lows

MBS Morning

11:00 AM Slow Start, Two-Way Trading After Data

Alert

11:58 AM More New Lows

Alert

1:58 PM Negative Reprices Becoming Likely

4:23 PM

Econ Data / Events

- ○ Jobless Claims
 - 228k vs 230k f'cast, 241k prev
- Unit Labor Costs
 - 5.7 vs 5.1 f'cast, 2.2 prev

Market Movement Recap

- 09:16 AM Slightly stronger after AM data, but still weaker on the day. MBS down 1 tick (.03) and 10yr down 1.3bps at 4.283
- 10:40 AM weakest levels of the AM. MBS down 6 ticks (.19) and 10yr up 4.6bps at 4.316
- 02:46 PM sharply weaker after auction with MBS down 3/8ths and 10yr up 10bps at 4.37

Lock / Float Considerations

- While the average mortgage lender isn't any worse off than they were earlier this week, the pace of Thursday's movement reintroduces the volatility risk surrounding trade-related headlines. From an econ data standpoint, Tuesday's CPI remains the focus, but random volatility risk is now substantially higher with US/China talks taking place over the weekend.

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