MBS Recap: A Little Early Excitement

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A Little Early Excitement

MBS Recap Matthew Graham | 3:34 PM

Bonds began the day with a bit of excitement following Trump comments on raising EU tariffs to 50%. The reaction was bigger than warranted based on the time of day/week as well as the fact that it's the Friday before a 3 day weekend. All that to say, markets were easier than normal to push around with seemingly relevant headlines. By the time human traders were sorting things out, stocks and bonds were moving back in the opposite direction. The day ultimately ended with modest gains, but at levels that represent the 4th weakest close in 3 months. Ho hum in the bigger picture, but better than a sharp stick in the eye.

Watch the Video

10:37 AM   Wait... So Tariffs Are Good or Bad For Bonds Now?

11:13 AM   Down a Quarter Point From Highs

1:32 PM

Econ Data / Events

- ○ New Home Sales
    - ■ 743k vs 692k f'cast, 724k prev

Market Movement Recap

10:07 AM   Initial pop toward lower yields on EU tariff escalation is slowly reversing. MBS still up 2 ticks (.06) and 10yr still down 2.4bps at 4.512

11:13 AM   MBS up 1 tick (.03) but down a quarter point from AM highs. 10yr down 1.7bps at 4.519 vs AM lows of 4.45
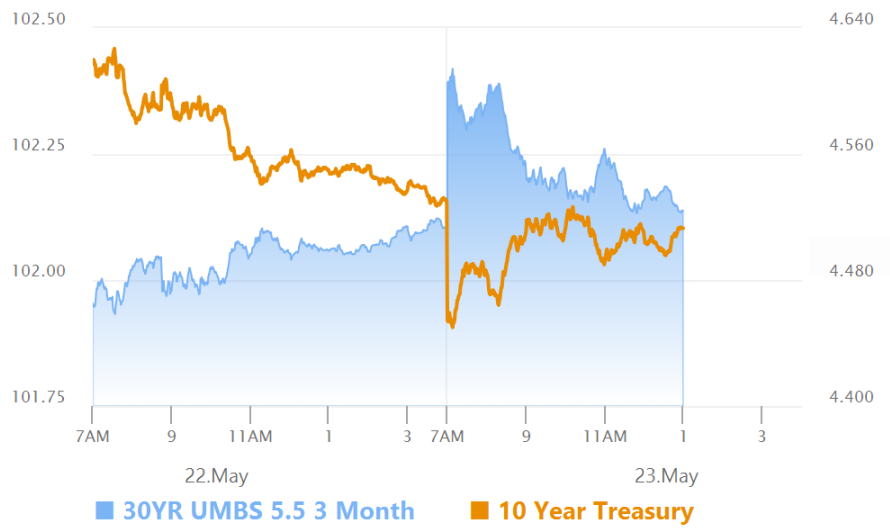
Lock / Float Considerations

- Bonds/rates find themselves in the unpleasant position of not knowing where their next big impetus for improvement will come from. While it's true that rates can fall despite an obvious catalyst, this is nonetheless not a float-friendly environment. The only foreseeable exceptions would be for seriously weak economic data or a miraculous improvement in the debt issuance outlook.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
    - ○ 4.64
    - ○ 4.48

- Floor/Resistance
    - ○ 3.99
    - ○ 4.05
    - ○ 4.12

- 4.19
- 4.34
- 4.40

MBS & Treasury Markets

■ **30YR UMBS 5.5 3 Month**   ■ **10 Year Treasury**

MBS

30YR UMBS 5.5	+
30YR UMBS 6.0	+
30YR GNMA 5.5	+
15YR UMBS-15 5.0	+

US Treasuries

10 YR	4.514%	-0.022%
2 YR	3.994%	+0.002%
30 YR	5.038%	-0.007%
5 YR	4.082%	-0.007%

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