

MBS & TREASURY MARKETS

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MBS Recap: Bonds Finally Seeing Some Support



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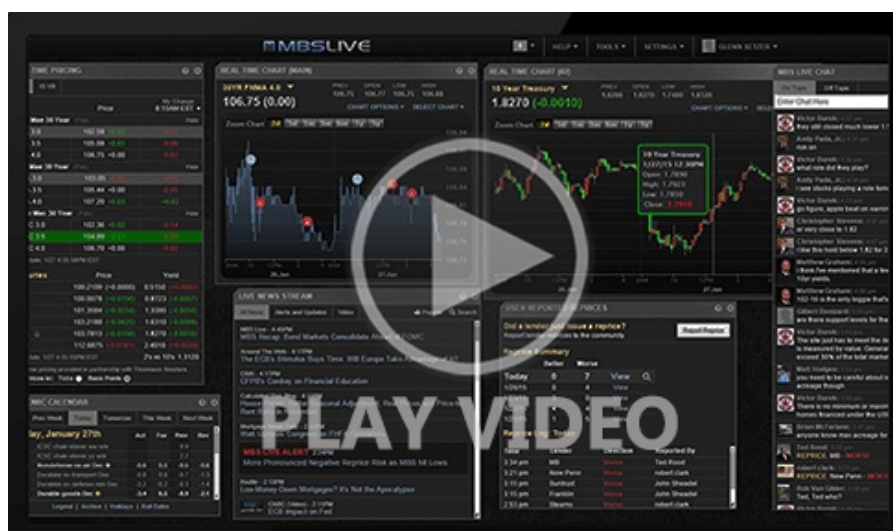
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Bonds Finally Seeing Some Support

MBS Recap | Matthew Graham | 5:19 PM

Whether one wants to give credit to the big rally in Japanese bonds, the weak labor market implications in the Consumer Confidence data, or the simple matter of re-positioning after a 3.5 day weekend, bonds managed to hit their best 3pm close in 2 weeks. Given the heavy, directional selling in May and the 15+bp recovery from last week's high yields, there's a temptation to view last week a short-term ceiling until further notice. Wednesday's 5yr Treasury auction will be informative in that regard, but it's next week's data that's more capable of informing bigger picture momentum shifts.



MBS Morning

11:33 AM Japan? Something Else? Does it Matter?

5:00 PM

Econ Data / Events

- ○ Durable Goods
 - -6.3 vs -7.8 f'cast, +7.6 prev
- Core Durable Goods
 - -1.3 vs 0.3 prev
- Consumer Confidence
 - 98.0 vs 87.0 f'cast, 85.7 prev

Market Movement Recap

- 10:59 AM Bonds rally modestly overnight and add to gains early. MBS up a quarter point and 10yr down 5.2bps at 4.462
- 12:19 PM Gains continue. MBS up almost 3/8ths and 10yr down 7.8bps at 4.436
- 03:57 PM Mostly sideways in PM hours. MBS up 10 ticks (.31) and 10yr down 7.4bps at 4.44

Lock / Float Considerations

- Rates have managed to find support at recent high yields after spending most of May moving decisively higher. We're now watching and waiting to see if the supportive bounce has legs. This would be the earliest possible moment that risk takers might finally considering something other than locking for the past several weeks. The counterpoint and caveat remains that a truly worthwhile rate rally will require sharply weaker economic data, a consistent failure of tariff-driven inflation to materialize, and/or a legitimate reason to expect lower Treasury issuance.

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	4.445%	-0.069%
2 YR	3.979%	-0.016%
30 YR	4.957%	-0.082%
5 YR	4.027%	-0.055%

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