MBS Recap: Minimal Movement Amid Absence of Data

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Minimal Movement Amid Absence of Data

MBS Recap Matthew Graham | 4:47 PM

It was ultimately a fairly uneventful session for bonds with the 5yr Treasury auction serving as a "sell the rumor, buy the news" event. In other words, traders were net sellers before the auction and then waded back into the market afterward. The wading wasn't as pronounced as the selling, but the net effect was negligible. Fed Minutes played no notable role in volatility. From here, tomorrow's 7yr auction can play a similar role, but there will be more economic data to digest (both tomorrow and especially Friday). The dark horse market mover may end up being month-end trading, which can create significant swings for apparently no reason at all.

Watch the Video

Alert

9:50 AM Down More Than an Eighth From Highs

MBS Morning

12:14 PM Hesitation Ahead of Treasury Auction and Month-End

4:26 PM

Market Movement Recap

09:38 AM Roughly unchanged overnight and weaker since 9am. MBS down almost an eighth and 10yr up 3bps at 4.476

01:11 PM Slight bounce after 5yr auction, but still down almost an eighth in MBS and still up 3.4bps in 10yr yields at 4.479

02:26 PM No reaction to Fed Minutes. MBS and Treasuries both right in line with previous update.

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")
    - 4.64

- 4.48

- Floor/Resistance
  - 3.99
  - 4.05
  - 4.12
  - 4.19
  - 4.34
  - 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	4.478%	+0.033%
2 YR	3.992%	+0.013%
30 YR	4.977%	+0.025%
5 YR	4.064%	+0.032%

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