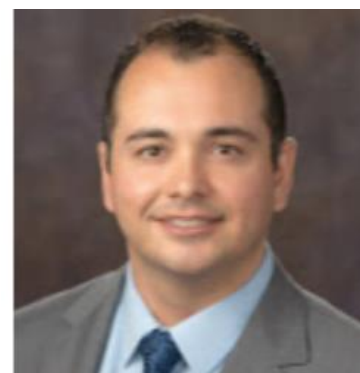


MBS & TREASURY MARKETS

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MBS Recap: Bonds Hold Morning Gains; No Reaction to Tariff Headlines



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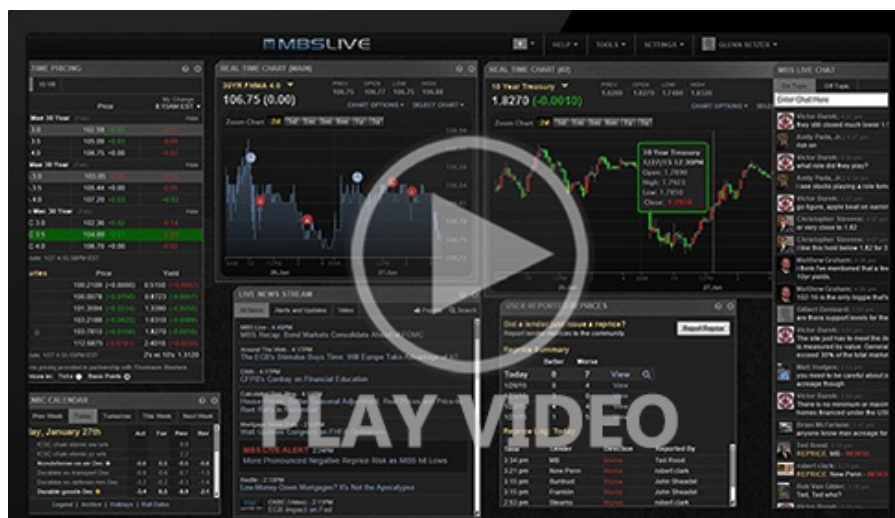
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Bonds Hold Morning Gains; No Reaction to Tariff Headlines

MBS Recap | Matthew Graham | 4:45 PM

To be clear, markets reacted to tariff headlines yesterday evening when the news was that a court decision would block certain tariffs. But even before today's most relevant tariff headlines, markets had correctly sniffed out the outcome. In short, tariffs are back in effect pending further review by the court and even then, traders expect the administration to find ways around any attempted block. Bottom line, there was no reaction to today's headlines by the time they came out because markets traded the likelihood overnight. Tepid econ data and a well-received 7yr Treasury auction added mildly to the gains.



Update

8:35 AM Small Boost From Claims and GDP Revisions

MBS Morning

10:56 AM Overnight Trading Makes No Guarantees

4:03 PM

Econ Data / Events

- ○ Jobless Claims
 - 240k vs 230k f'cast, 226k prev
- GDP revision (q1)
 - -0.2 vs -0.3 f'cast
- Corporate Profits
 - -3.6 vs 5.9 f'cast
- Final Sales
 - -2.9 vs -2.5 f'cast
- Consumer Spending
 - 1.2 vs 1.8 f'cast

Market Movement Recap

- 08:36 AM Slightly stronger after data. MBS are up 1 tick (.03) and 10yr yields are down just under 1 bp at 4.469.
- 12:31 PM flat at stronger levels ahead of auction. MBS up 7 ticks (.22) and 10yr down almost 5bps at 4.43
- 04:14 PM Drifting out sideways near strongest levels. MBS up 6 ticks (.16) and 10yr down 4.8bps at 4.432

Lock / Float Considerations

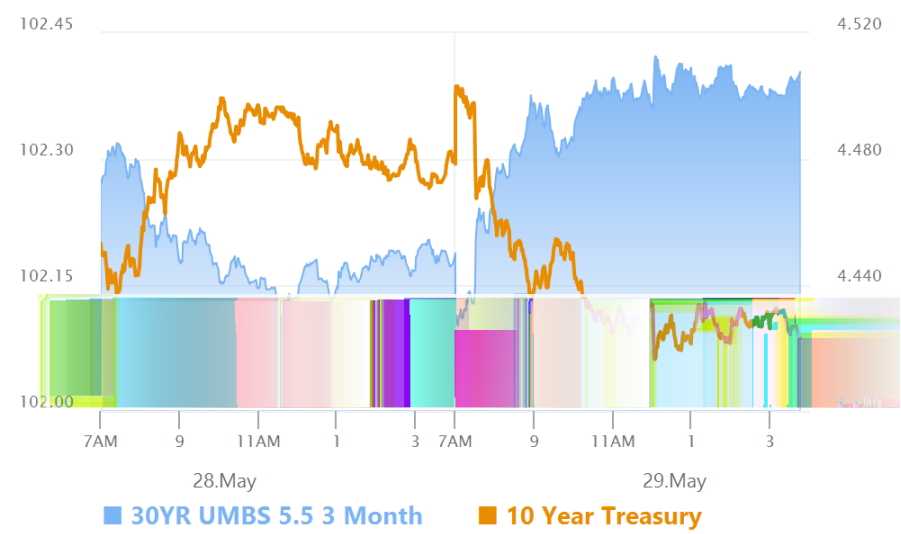
- Rates have managed to find support at recent high yields after spending most of May moving decisively higher. Prevailing momentum is sideways in a fairly narrow range in the bigger picture. Month-end

trading can cause random volatility on Friday. It continues to be the case that a truly worthwhile 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	4.423%	-0.056%
2 YR	3.938%	-0.055%
30 YR	4.923%	-0.055%

5 YR

3.998%

-0.068%

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