MBS & TREASURY MARKETS

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MBS Recap: Strongest Close of the Week After Well-Contained Month-End Volatility



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Strongest Close of the Week After Well-Contained Month-End Volatility

MBS Recap Matthew Graham | 4:19 PM

There was always a reasonably high bar for today's econ data to have a big impact. When it came out right in line with expectations this morning, that ship sailed. That left the month-end trading environment as the most likely source of inspiration. While we can certainly see some evidence of month-end volatility, it played out in a narrow range. More importantly, it resolved with bonds at the strongest levels of the week, even if by only a small margin.

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MBS Morning

9:14 AM Ho-Hum PCE Inflation Data Leaves Focus on Month-End Trading

3:42 PM

Econ Data / Events

- Core PCE monthly
 0.1 vs 0.1 f'cast, 0.0 prev
 - Core PCE Annual
 2.5 vs 2.5 f'cast, 2.7 prev
 - Wholesale Inventories
 - 0.0 vs 0.4 f'cast, 0.7 prev

Market Movement Recap

- 08:40 AM flat overnight and minimal reaction to data. MBS unchanged and 10yr up 1.5bps at 4.435
- 11:31 AM Steady near unchanged levels in MBS. 10yr down 1.2bps at 4.407
- 03:40 PM Best levels of the day, but minimal movement overall. MBS up an eighth and 10yr down 2.1bps at 4.399

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. It continues to be the case 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
 - o **3.99**
 - ° 4.05
 - ° 4.12
 - **4.19**
 - **4.34**
 - ° **4.40**



MBS & Treasury Markets

US Treasuries						
10 YR	4.401%	-0.019%				
2 YR	3.902%	-0.037%				
30 YR	4.931%	+0.013%				
5 YR	3.964%	-0.042%				

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