

MBS & TREASURY MARKETS

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MBS Recap: New Month Selling Trumps ISM Data



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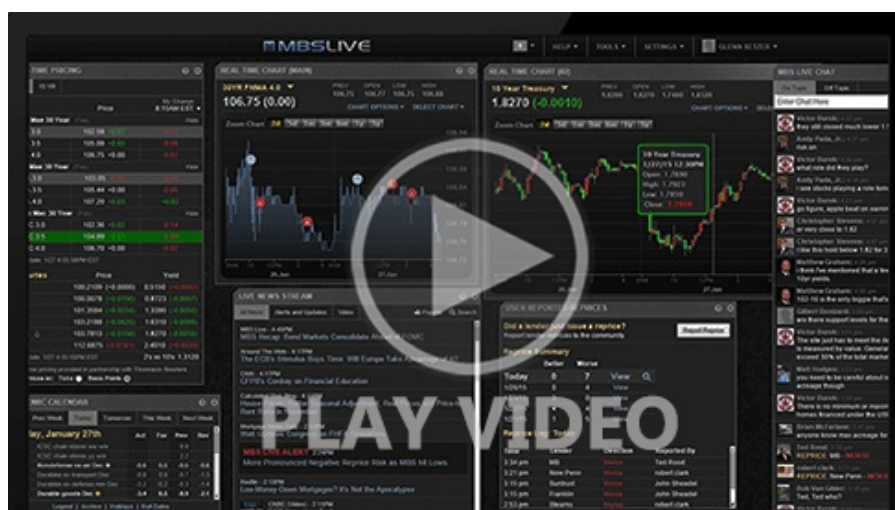
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New Month Selling Trumps ISM Data

MBS Recap | Matthew Graham | 5:26 PM

It's not that this morning's ISM data failed to help the bond market. In fact, it accounted for the highest volume of the day and the lowest yields of the day. But those yields were seized as an opportunity for seller to do what they'd already showed up to do earlier in the day. Bottom line, we had a bit of excess strength at the end of last week due to month-end trading and now a bit of a reversal as the new month gets underway. Yields are still nearer the lower end of the recent range, which makes today's modest correction all the less threatening.



MBS Morning

10:51 AM Softer Start Despite Tame ISM Manufacturing Data

Alert

11:41 AM Negative Reprice Risk Increasing

Alert

2:56 PM Just a Bit More Reprice Risk

4:32 PM

Econ Data / Events

- - S&P Manufacturing PMI
 - 52.0 vs 52.3 f'cast
 - ISM Manufacturing
 - 48.5 vs 49.5 f'cast, 48.7 prev
 - ISM Employment
 - 46.8 vs 46.5 prev
 - ISM Prices
 - 69.4 vs 70.2 f'cast

Market Movement Recap

- 10:03 AM Slightly weaker overnight, but recovering a bit after ISM data. MBS down 2 ticks (.06) and 10yr up 2.1bps at 4.425
- 01:20 PM More weakness into PM hours. MBS down 9 ticks (.28) and 10yr up almost 6bps at 4.463
- 05:09 PM Modest recovery into the close. MBS down 5 ticks (.16) and 10yr up 4.2bps at 4.446

Lock / Float Considerations

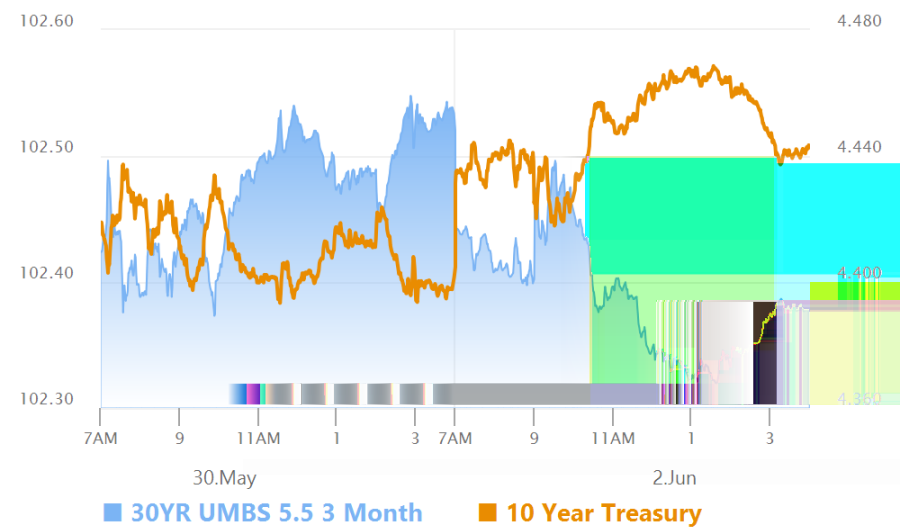
- Rates have managed to find support at recent high yields after spending most of May moving decisively

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")
 - 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	4.441%	+0.037%
2 YR	3.940%	+0.040%
30 YR	4.067%	+0.030%

30 YR
5 YR

4.967%
4.004%

+0.030%
+0.042%

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