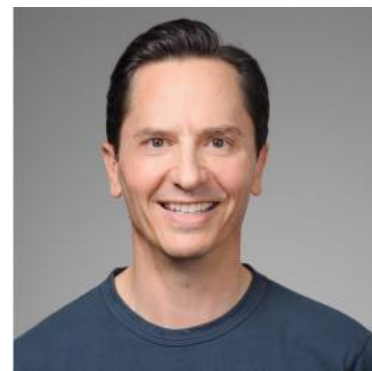


MBS & TREASURY MARKETS

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MBS Recap: Gentle Rally Gently Reverses After Trade Headlines



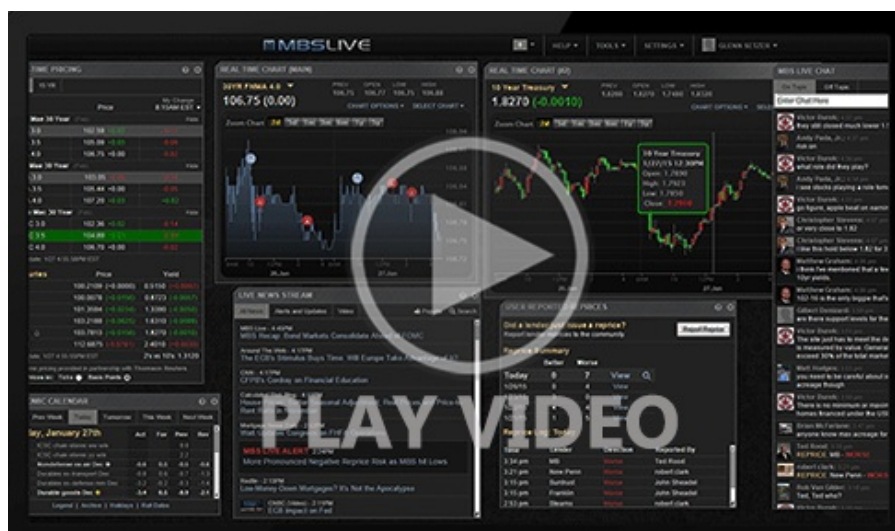
Julian Hebron
Founder, The Basis Point
<https://thebasispoint.com/>
San Francisco CA



Gentle Rally Gently Reverses After Trade Headlines

MBS Recap | Matthew Graham | 3:55 PM

First thing's first: bonds closed in stronger territory and retained most of the gains that were present in the AM hours. But they would have done just a bit better if not for a handful of newswires that hit around 2:30pm ET regarding vaguely positive comments on US/China trade talks (i.e. BESSENT ON US-CHINA TALKS: 'GOOD MEETING'). This preceded a move up to 4.487 from 4.470 in 10yr yields--barely worth mentioning in the bigger picture, and only mentioned here to reinforce the market's willingness to react to trade-related headlines and because US/China talks will be continuing on Tuesday.



MBS Morning

10:12 AM Shifting Gears After Friday's Volatility

3:43 PM

Market Movement Recap

09:53 AM Sideways overnight and inching into positive territory after 9:30am NYSE open. MBS up 3 ticks (.09) and 10yr down 1.3bps

Lock / Float Considerations

- Friday's jobs report reset the board to some extent when it comes to short term lock/float considerations. There was asymmetric risk up until then, and more balanced risk moving forward. The upcoming data is not as meaty, so we could see more of a willingness to react to fiscal headlines.
- Slow, steady gains so far. MBS up 6 ticks (.19) and 10yr down 3.3bps at 4.475
- Weaker since 2:30pm, but still stronger on the day. MBS up 5 ticks (.16) and 10yr down 2.1bps at 4.487

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 | 4.488% | -0.020% |
| 2 YR | 4.013% | -0.024% |
| 30 YR | 4.957% | -0.006% |
| 5 YR | 4.095% | -0.029% |

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