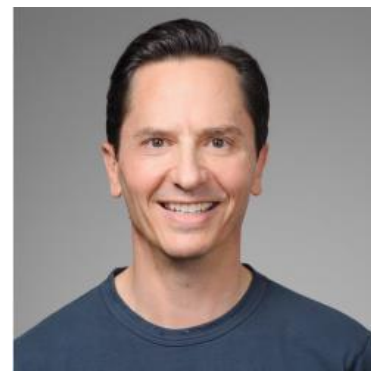


MBS & TREASURY MARKETS

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MBS Recap: Best Closing Levels in More Than a Month



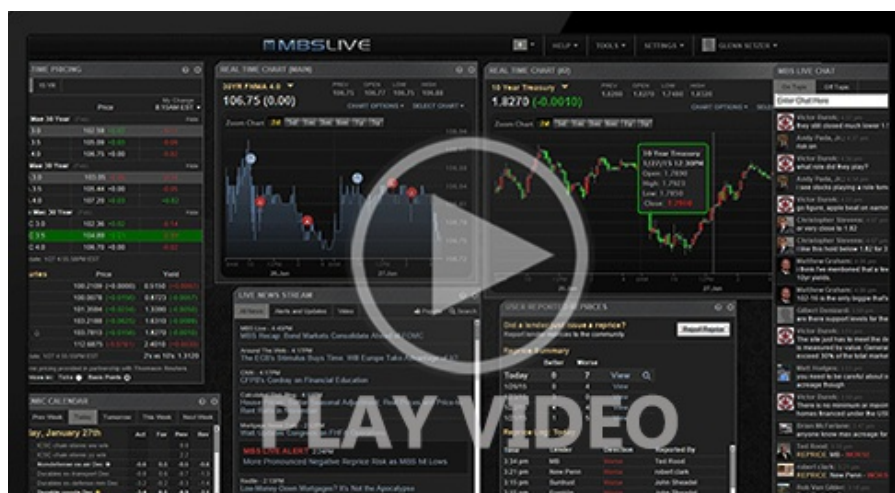
Julian Hebron
Founder, The Basis Point
<https://thebasispoint.com/>
San Francisco CA



Best Closing Levels in More Than a Month

MBS Recap | Matthew Graham | 4:17 PM

Don't look now, but rates just inched their way down to the best levels since the first week of May. It's probably NOT fair to credit geopolitical developments for the bond market improvement. While those developments arguably had an impact at times during the day, they were also arguably a zero sum game by the end of the day (due to a rapid de-escalation of armed conflict). What's left over is the improvement seen earlier in the day due to the shift in Fed Funds Rate expectations after comments from Bowman. This no doubt increases the market's anticipation for Fed Chair Powell's congressional testimony over the next two days.



MBS Morning

11:23 AM Bonds Don't Always React to "War" Like You'd Expect

3:42 PM

Alert

3:43 PM MBS Technically Down an Eighth From Highs

Econ Data / Events

- ○ S&P Services PMI
 - 53.1 vs 52.9 f'cast, 53.7 prev
- Existing Home Sales
 - 4.03m vs 3.96m f'cast, 4.00m prev

Market Movement Recap

- 10:10 AM Modestly stronger overnight with additional gains after Bowman comments on supporting a July rate cut. MBS up 6 ticks (.19) and 10yr down 6.3bps at 4.315
- 12:38 PM Slow, steady bond gains over the past 2 hours. 10yr down 8.3bps to 4.296 and MBS up 9 ticks (.28).
- 02:43 PM Off the strongest levels but still stronger on the day. MBS up 7 ticks (.22) and 10yr down 5.8bps at 4.321
- 03:40 PM Technically down an eighth from the highs. MBS still up 6 ticks (.19) and 10yr still down 4.6bps at 4.333

Lock / Float Considerations

- Monday showed that the market is surprisingly receptive to Fed comments on the rate outlook depending on who's doing the commenting. This creates more volatility risk heading into Powell's testimony. If the Fed Chair happens to validate or oppose recent comments from Waller/Bowman in a forceful way (admittedly, not his style when it comes to such matters), markets are now suggesting they'd be receptive, for better or worse.

they'd be receptive, for better or worse.

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	4.341%	-0.038%
2 YR	3.850%	-0.057%
30 YR	4.876%	-0.018%
5 YR	3.904%	-0.058%

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