

MBS & TREASURY MARKETS

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MBS Recap: Bonds Bracing For CPI Impact



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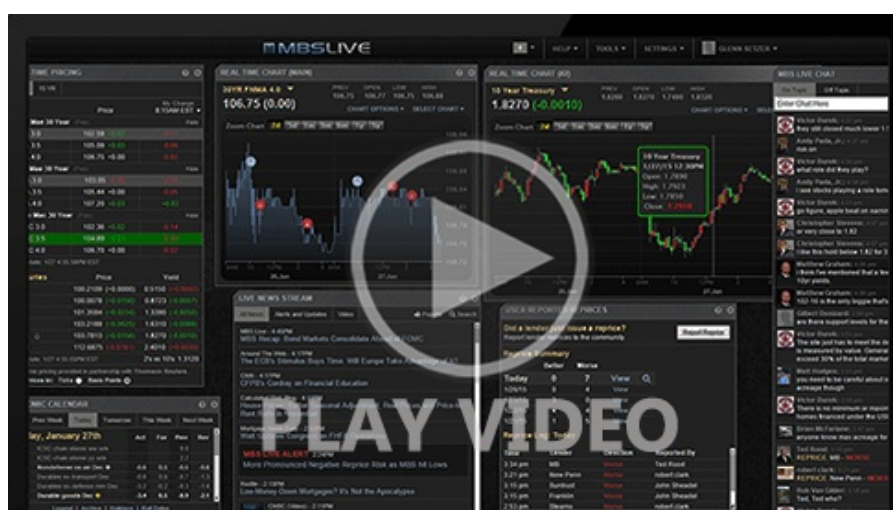
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Bonds Bracing For CPI Impact

MBS Recap | Matthew Graham | 5:09 PM

Stocks sold off quickly in the overnight session in response to the announcement of 35% tariffs on Canada. Bonds view such news as a double edged sword, but also drifted into weaker and weaker territory as the day progressed. Given that yields remained inside the week's range, we're more inclined to view this as an acceptable sideways drift ahead of big ticket data event: Tuesday's CPI report. It goes without saying that some of the market will have to be surprised by the outcome which either will or will not show that tariffs have begun impacted the data in a significant way. The farther from forecast, the larger the surprise and the potential bond market reaction. In that light, Friday's weakness could be viewed as a move to the sidelines ahead of the forthcoming revelations.



MBS Morning

10:30 AM Overnight Selling But Still in The Range

2:00 PM

Alert

3:00 PM Down an Eighth From Mid-AM Highs

Market Movement Recap

09:50 AM Steadily weaker overnight with MBS down an eighth and 10yr up 5.2bps at 4.398

11:55 AM Mostly sideways after early weakness. MBS down an eighth and 10yr up 6bps at 4.405

03:00 PM MBS are down 6-7 ticks (.19-.22) depending on the moment and 10yr yields are up 7.7bps at 4.424.

Lock / Float Considerations

- While the outbound week's range ultimately proved to be "sideways," it came close to testing the weaker boundary on Friday. There's not an inherent message in that market movement apart from indecision ahead of Tuesday's CPI data. Lock/float arguments are in relatively good balance, but volatility potential will increase rapidly from here.

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	4.416%	+0.069%
2 YR	3.901%	+0.024%
30 YR	4.955%	+0.085%
5 YR	3.977%	+0.042%

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