

MBS & TREASURY MARKETS

Daily Coverage. Industry Leading Perspective.

MBS Recap: All Eyes on CPI



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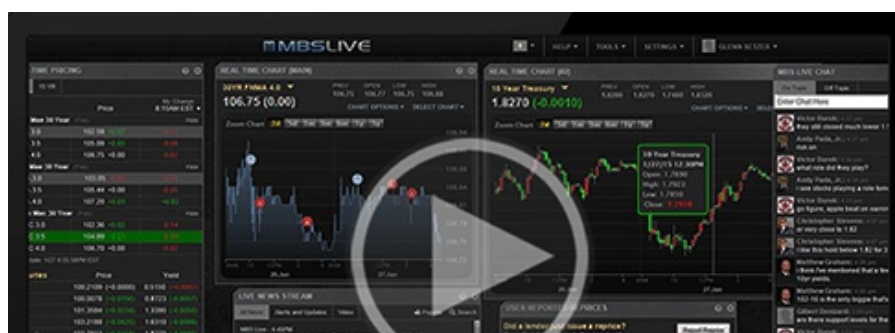
NMLS 1103975



All Eyes on CPI

MBS Recap | Matthew Graham | 3:26 PM

Bonds have sold off a bit so far in July, but haven't lost much more ground versus last Tuesday as of this afternoon. In other words, trading levels have been coiling for nearly a week as we've traversed a data-free calendar in anticipation of a very important CPI (Consumer Price Index). This is most notable opportunity yet for big-ticket data to show tariff impacts both because it's the first major report for June and also because several Fed members have specifically mentioned June's data as being likely affected. It doesn't take much to connect the dots from there. If the data isn't materially affected, rates should like it, and vice versa. As always, potential volatility is just that: potential. Data could thread the needle or go big in a specific direction. Either way, this is a report where the underlying components can outweigh the suggestion of the top line numbers, so the reaction may be counterintuitive at first.





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MBS Morning

10:33 AM Empty Calendar and a Sideways Start

Alert

10:49 AM Down an Eighth From Highs

3:08 PM

Econ Data / Events

- No scheduled data/events on Monday

Market Movement Recap

- 10:16 AM Sideways overnight. Slightly weaker at first, then recovering after 9:30am NYSE Open
- 12:18 PM 10yr yields are up 2.7bps at 4.435 and MBS are down 5 ticks (.16) on the day and the same amount versus the highs of the day
- 02:58 PM Modest bounce, but still slightly weaker. MBS down an eighth and 10yr up 2bps at 4.428

Lock / Float Considerations

- If it's not already implied in the rest of the commentary, Monday night is a very high risk/reward lock/float decision. Granted, big volatility potential in the data is not always a precursor to big volatility, but there's certainly a bigger risk/chance of an NFP-sized trading reaction on Tuesday than on any other day since NFP.

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	4.426%	+0.018%
2 YR	3.897%	-0.004%
30 YR	4.969%	+0.014%
5 YR	3.982%	+0.011%

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