

# MBS & TREASURY MARKETS

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## MBS Recap: What's Up With The Paradoxical CPI Reaction?



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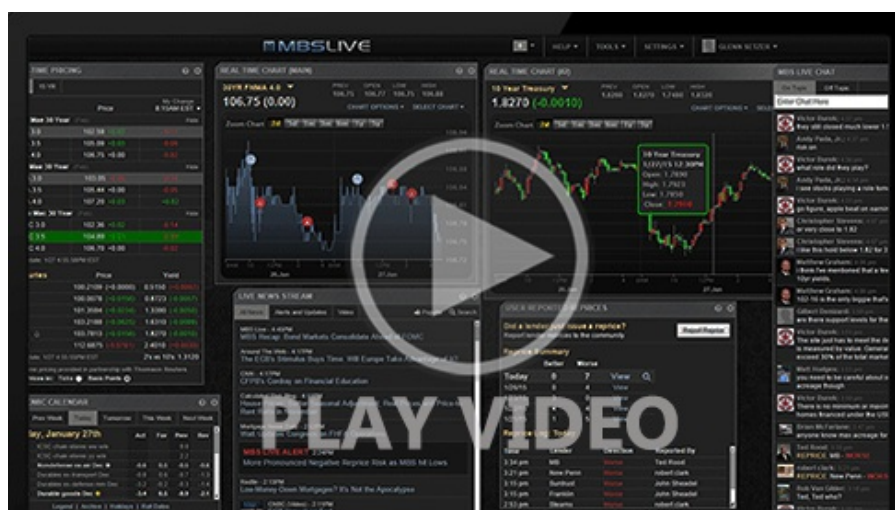
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## What's Up With The Paradoxical CPI Reaction?

MBS Recap | Matthew Graham | 4:07 PM

Heading into today's data, we knew there was a possibility of two separate reactions--one for the top line CPI numbers and one for a deeper look at the internal components. Those internals show that tariffs are having an impact even though it was a smaller impact than many forecasters were expecting. Bonds didn't seem to care at first. When a new glut of trades came online at the 9:30am NYSE open, that changed. Both stocks and bonds sold off sharply starting at 9:30am and this move looks far more convincing that the initial rally.



Update

8:35 AM First Move is Stronger as Core CPI Comes in at 0.2 vs 0.3

MBS Morning

9:29 AM Tariffs Show Up in CPI, But Not Enough to Hurt

Alert

9:45 AM CPI Gains Erased Quickly At 9:30am NYSE Open

Alert

11:31 AM Selling Continues; Reprice Risk Picking Up

3:19 PM

## Econ Data / Events

- ○ Core MM CPI
  - 0.228 vs 0.3 f'cast, 0.1 prev
- Core YY CPI
  - 2.9 vs 3.0 f'cast, 2.8 prev
- Headline MM CPI
  - 0.3 vs 0.3 f'cast, 0.1 prev

## Market Movement Recap

08:36 AM after CPI 10yr yields are down 2.9bps at 4.406 and MBS are up an eighth

09:45 AM 10yr unchanged 4.434. MBS also unchanged and down just over an eighth from the highs.

11:29 AM weakness continues. MBS down 6 ticks (.19) and 10yr up 4.7 bps at 4.482

02:32 PM Steady, slight selling continues. MBS down 7 ticks (.22) and 10yr up 5.3bps at 4.488

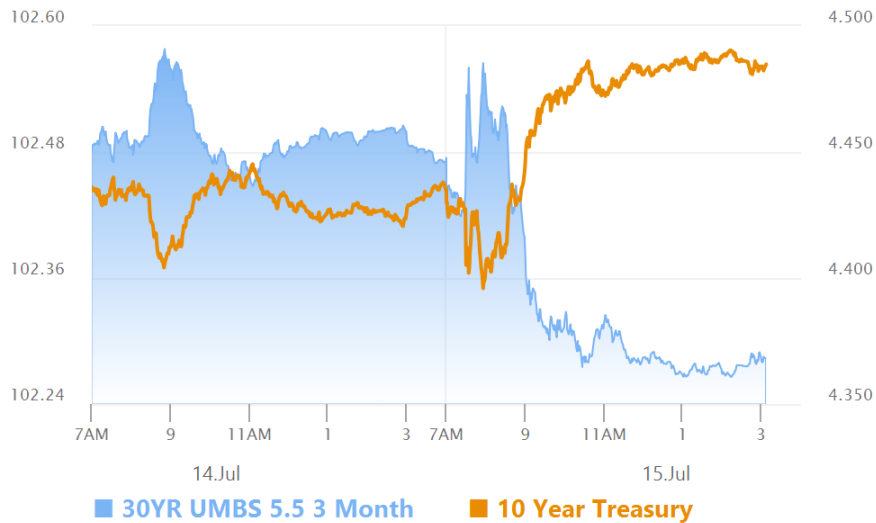
## Lock / Float Considerations

- Tuesday's CPI put spin on the ball. Unfortunately, it was the wrong kind of spin for fans of low rates. Fortunately, it makes it a bit easier to pick a side in the lock/float debate until this wave of selling pressure subsides.

## 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	4.485%	+0.050%
2 YR	3.952%	+0.043%
30 YR	5.015%	+0.035%

30 YR  
5 YR

3.915%  
4.047%

+0.033%  
+0.058%

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