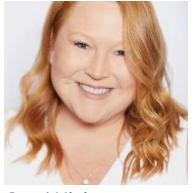
# MBS & TREASURY MARKETS

Daily Coverage. Industry Leading Perspective.

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



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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.





Watch the Video

#### 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
  - 0 4.48
- Floor/Resistance
  - o 3.99
  - 0 4.05
  - 0 4.12
  - 0 4.19
  - 0 4.34
  - 0 4.40

# MBS & Treasury Markets



30YR UMBS 5.5 30YR UMBS 6.0 30YR GNMA 5.5 15YR UMBS-15 5.0

115	Tre	20	IIII	AC

10 YR	4.485%	+0.050%
2 YR	3.952%	+0.043%
30 YR	5.015%	+0.035%
5 YR	4.047%	+0.058%

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