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





#REVIEWSMATTER

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**OPPORTUNITY** 

# 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.

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#### 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

# 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")
  - **4.64**
  - **4.48**
- Floor/Resistance
  - **3.99**
  - ° 4.05
  - · 4.12
  - **4.19**
  - **4.34**
  - **4.40**



# **MBS & Treasury Markets**

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	US Treasuries		
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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