

MBS & TREASURY MARKETS

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MBS Recap: Bonds Mostly Steady Ahead of CPI



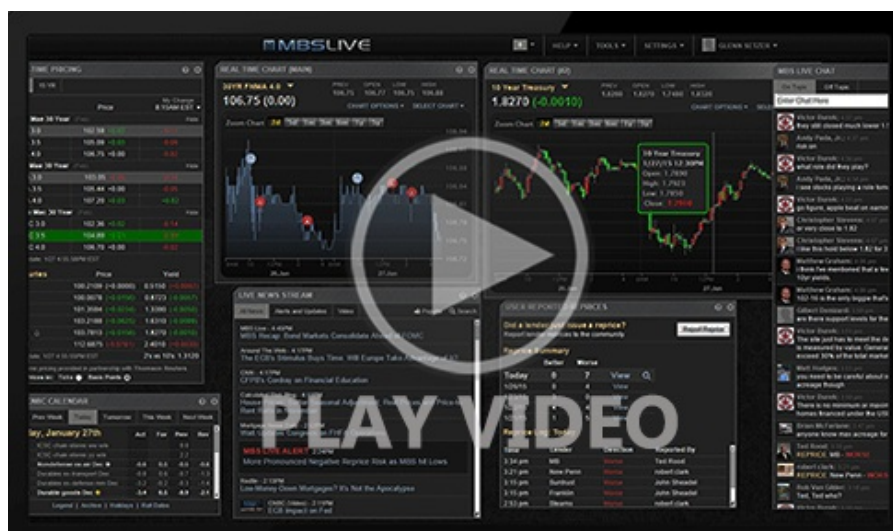
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Bonds Mostly Steady Ahead of CPI

MBS Recap | Matthew Graham | 3:35 PM

Treasuries outperformed MBS just slightly today, but both were close enough to unchanged to argue against any excess analytical effort. In general, bonds took their last major cue from the jobs report earlier in the month and have been mostly sideways since then. That brings us to Tuesday morning's CPI which is the only true top tier data of the week and the only report that can occasionally hold a candle to the jobs report in terms of volatility potential. As with last month, the headline numbers don't necessarily tell the story. Traders will quickly be looking to sort out tariff-impacted categories from the rest of the data.



MBS Morning

11:34 AM Another Slow Start, But Probably Not a Slow Week

3:14 PM

Market Movement Recap

- 09:32 AM Sideways to slightly stronger overnight. MBS unchanged and 10yr down 0.6bps at 4.276
- 12:25 PM strongest levels in 10yr, down 2.1bps at 4.261. MBS unchanged.
- 02:17 PM bouncing back a bit now. MBS down 1 tick (0.03) and 10yr down 1bp at 4.272

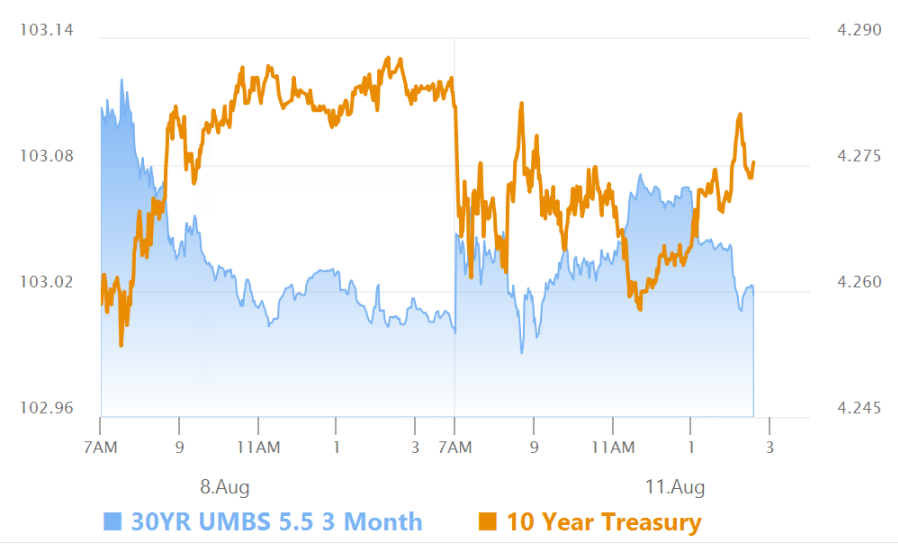
Lock / Float Considerations

- We generally don't see Tuesday morning's CPI on the same level as the jobs report in terms of the magnitude of a reaction, but it's the next biggest report in terms of potential volatility. The market is priced for a 0.3 core reading rounded up from 0.26-ish. That means a 0.3 result could be traded either way depending on the unrounded number and underlying details (i.e. tariffs impacts vs housing inflation). As always, the biggest data hits at 8:30am meaning floating overnight carries higher risk/reward. Risk averse clients are still liking the long-term low rates.

Technicals/Trends in 10yr (why 10yr)

- **Ceiling/Support** (can be used as "lock triggers")
 - o 4.64
 - o 4.48
 - o 4.40
 - o 4.34
 - o 4.28
- **Floor/Resistance**
 - o 3.99
 - o 4.05
 - o 4.12
 - o 4.19

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	4.275%	-0.007%
2 YR	3.762%	+0.002%
30 YR	4.842%	-0.010%
5 YR	3.830%	-0.006%

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