

MBS & TREASURY MARKETS

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MBS Recap: Bonds Hold The Range Despite More Data-Driven Volatility



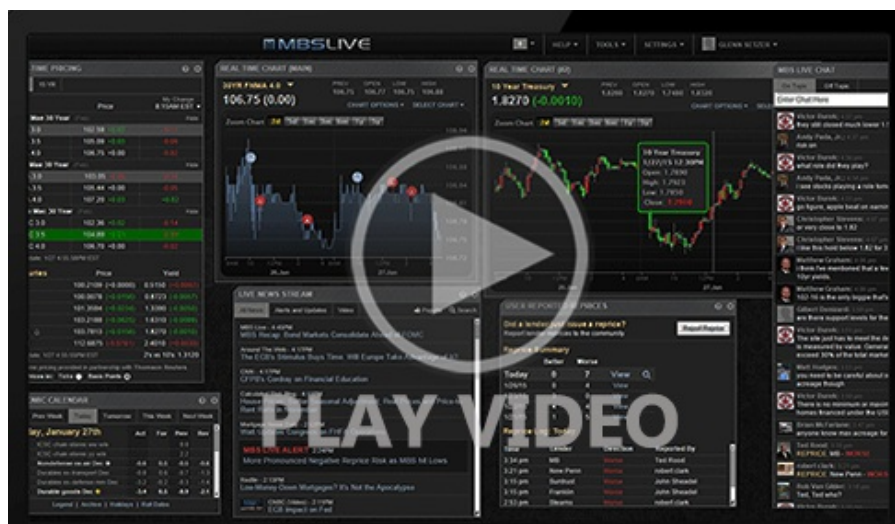
Matt Graham
Founder and CEO, MBS Live

MBSLIVE

Bonds Hold The Range Despite More Data-Driven Volatility

MBS Recap | Matthew Graham | 2:27 PM

At 0.9, not only did today's PPI crush the 0.2 forecast, but it's also the highest reading since post-covid hyper-inflation by a wide margin. And while there's always a chance it will be revised to something less alarming next month, it was enough to do noticeable damage to bonds today. Before the data, 10yr yields were knocking on the yield floor at 4.20%. This afternoon, they're up closer to 4.30%. Things could have been even worse if not for the fact that the PCE components in the PPI data suggested a much less onerous impact on the PCE data that will come out in 2 weeks. Nonetheless, it will be enough to keep eyebrows raised regarding the extent to which tariffs are hindering a return to the 2% inflation target (something that will unfortunately be up in the air for many months).



Alert

8:34 AM Huge Jump in PPI Hurting Bonds

MBS Morning

10:58 AM Producer Prices Surge, Complicating The Rate Cut Outlook

Alert

11:37 AM Additional Weakness. Some Negative Reprice Risk

1:42 PM

Econ Data / Events

- ○ Core PPI
 - 0.9 vs 0.2 f'cast, 0.0 prev
- Annual Core PPI
 - 3.7 vs 2.9 f'cast, 2.6 prev
- Jobless Claims
 - 224k vs 228k f'cast, 227k prev

Market Movement Recap

08:43 AM stronger overnight but losing ground after PPI. MBS unchanged and 10yr nearly unchanged at 4.237

11:14 AM Additional weakness now. MBS down an eighth and 10yr up 3.7bps at 4.278

11:45 AM MBS down 6 ticks (.19) and 10yr up 5bps at 4.291

01:38 PM Off the weakest levels. MBS down 5 ticks (.16) and 10yr up 4.8bps at 4.289

Lock / Float Considerations

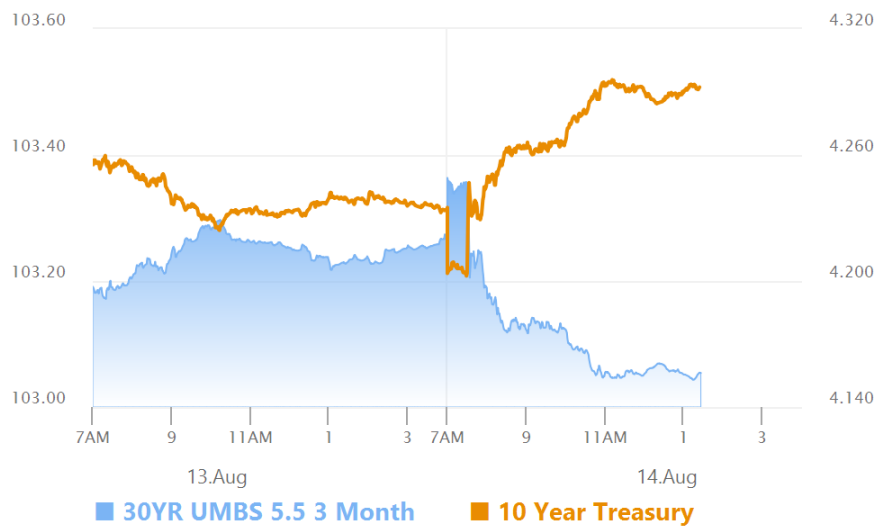
- After a lower consequence day on Wednesday, risk/reward increase somewhat on Thursday and Friday with the return of econ data (PPI on Thursday and Retail Sales on Friday). Risk-tolerant clients still

have plenty of room between here and the 4.40% technical level to set overhead lock triggers. Risk-averse clients still have the lowest rates in 10 months.

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	4.293%	+0.052%
2 YR	3.741%	+0.066%
30 YR	4.881%	+0.055%

5 YR

3.823%

+0.073%

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