

MBS & TREASURY MARKETS

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MBS Recap: Big Shift Toward 5.0 Coupons Continues



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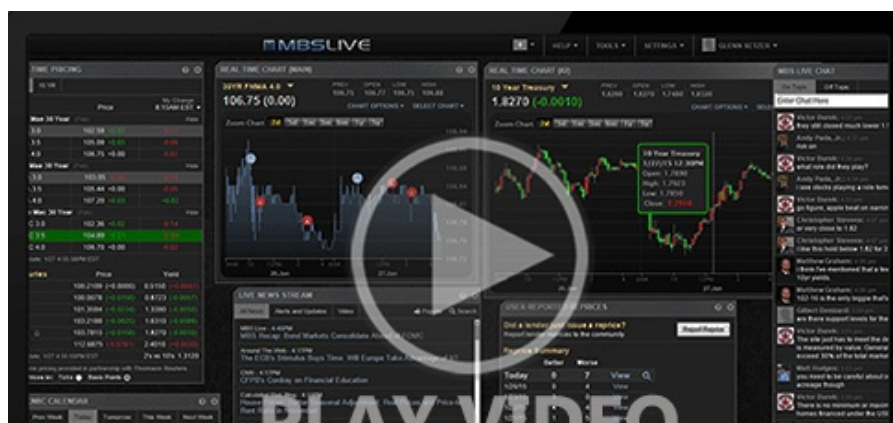
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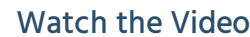


Big Shift Toward 5.0 Coupons Continues

MBS Recap | Matthew Graham | 4:02 PM

Mortgage rates have lurched rapidly lower in September as 5.0 UMBS have stolen the show from 5.5 UMBS. As a reminder, there is only a certain range of rates allowed in either bucket. 5.5s go all the way up to 6.625% and investors buying MBS would prefer not to get stuck holding a burning bag of 6.625% loans in a market where those borrowers are already on the edge of being in the money on a refi. Bottom line, it's the fastest/biggest shift in 5.0 outperformance since late 2023, and today's installment brought the spread between the two coupons to the tightest levels since early October 2024. Lo and behold, that's the last time rates were in this territory. Spreads spiked back to wider levels on October 4th owing to a strong jobs report. This October's jobs report will be in focus for similar reasons, but before that, near-term volatility risks surround Wednesday's Fed dot plot.





8:33 AM Losing Ground After Retail Sales

10:02 AM Bonds Easily Clearing Last Pre-Fed Hurdle

11:26 AM Down Over an Eighth From AM Highs

3:37 PM

- - Export prices mm (Aug)
 - 0.3% vs 0% f'cast, 0.1% prev
 - Import prices mm (Aug)
 - 0.3% vs -0.1% f'cast, 0.4% prev
 - Retail Sales (Aug)
 - 0.6% vs 0.2% f'cast, 0.5% prev
 - Retail Sales (ex-autos) (Aug)
 - 0.7% vs 0.4% f'cast, 0.3% prev
 - Retail Sales Control Group MoM (Aug)
 - 0.7% vs 0.4% f'cast, 0.5% prev

09:04 AM	Initial weakness after Retail Sales, but avoiding sharp selling. MBS unchanged and 10yr only up 1bp at 4.049
10:02 AM	Very decent recovery. MBS up 1 tick (.03) and 10yr down almost 1bp at 4.033
11:56 AM	MBS unchanged to 1 tick (.03) weaker. 10yr down 0.9bps at 4.032
03:14 PM	Holding modest gains. MBS up 2 ticks (.06) and 10yr down 1.3bps at 4.027

Lock / Float Considerations

- Wednesday afternoon's Fed dot plot serves as this week's biggest potential source of volatility. September 2024's example (rate spike after Fed cuts) isn't necessarily a playbook, but with rates at 11 month lows, risk-averse clients are wary of a reversal--temporary or otherwise.

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

US Treasuries		
10 YR	4.033%	-0.007%
2 YR	3.513%	-0.024%
30 YR	4.652%	-0.009%
5 YR	3.591%	-0.009%

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