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MBS Recap: Markets Rocked by New Tariff Drama



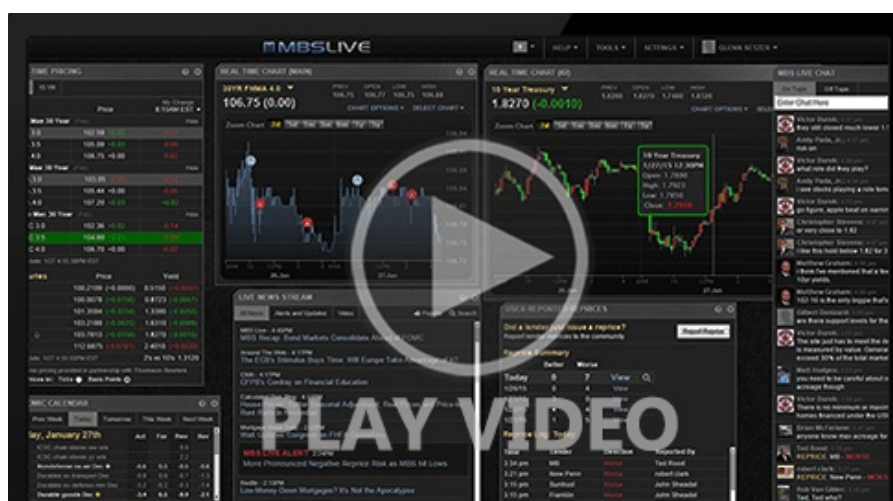
Nick Hunter
President, Owner, River
City Mortgage, LLC
www.rchomeloans.com



Markets Rocked by New Tariff Drama

MBS Recap | Matthew Graham | 5:42 PM

Bonds were already having a decent day this morning with overnight market movers bringing yields in line with the lower end of the recent range. Mid-day drama caused massive selling in stocks which spilled over and made for an extension of the already-decent bond rally. The culprit? An unexpected tariff threat from Trump in response to... well... something (*seriously, we're not sure*). Then, just minutes before the end of trading for the 3 day weekend, an official announcement (again, with *cryptic references to untoward actions by China*). Bonds managed to rally a bit more as stocks sank more, but there's no telling how this will carry over on Tuesday. Tariffs haven't been reliably beneficial for bonds, but they were beneficial today.



MBS Morning

9:44 AM Overnight Gains on Fed Comments And Japanese Politics (Really)

3:29 PM

Market Movement Recap

- 09:45 AM Overnight gains mostly holding. MBS up 7 ticks (.22) and 10yr down 4bps at 4.10
- 11:26 AM Another wave of buying after tariff headlines. 10yr down 8bps at 4.06 and MBS up 10 ticks (.31).
- 02:17 PM best levels of the day. MBS up just over 3/8ths and 10yr down 9.2bps at 4.048
- 05:13 PM Even stronger at the close with 10yr down 11bps at 4.033 after new tariffs officially announced.

Lock / Float Considerations

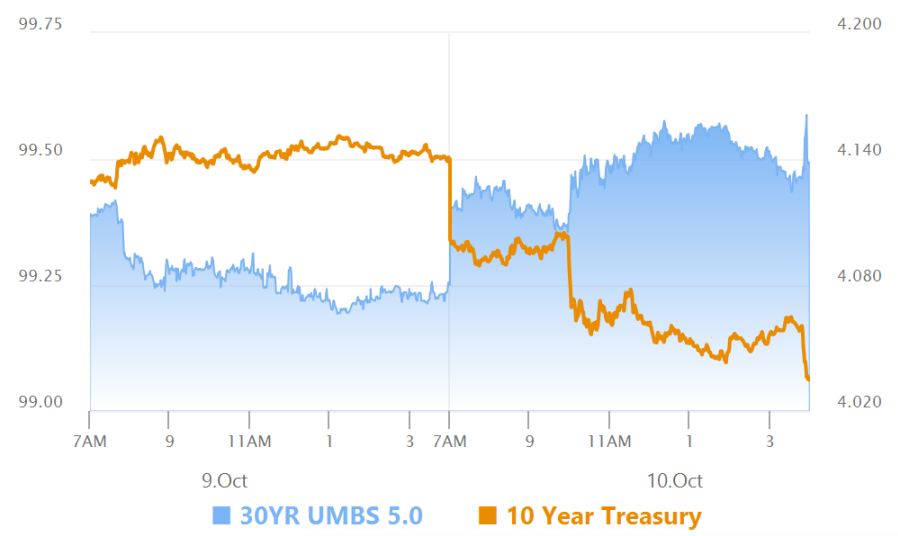
- Friday's massive volatility raises obvious lock/float questions. Naturally, if bonds are surging and stocks are tanking on tariff developments, won't things just get better next week when more of the market has more time to react to the drama? That's faulty thinking. While that COULD happen, there's nothing about what we saw on Friday that would make us expect it any more than we'd expect a reversal. Tariffs have been a double-edged sword for bonds anyway, so there's an extra layer of risk of a correction simply as a function of traders potentially buying the dip in stocks. Big, lasting momentum requires big changes in economic data. Tariffs can play a role in that, but not quickly.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
 - o 4.48
 - o 4.40
 - o 4.34
 - o 4.28
 - o 4.19
- Floor/Resistance
 - o 3.89
 - o 3.99

- 4.05
- 4.12

MBS & Treasury Markets



MBS

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

US Treasuries

10 YR	4.033%	-0.107%
2 YR	3.503%	-0.093%
30 YR	4.619%	-0.103%
5 YR	3.627%	-0.108%

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