

MBS & TREASURY MARKETS

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MBS Recap: Uneventfully Flat After Initial Weakness



Michael Levine

Senior Loan Officer,
CrossCountry Mortgage

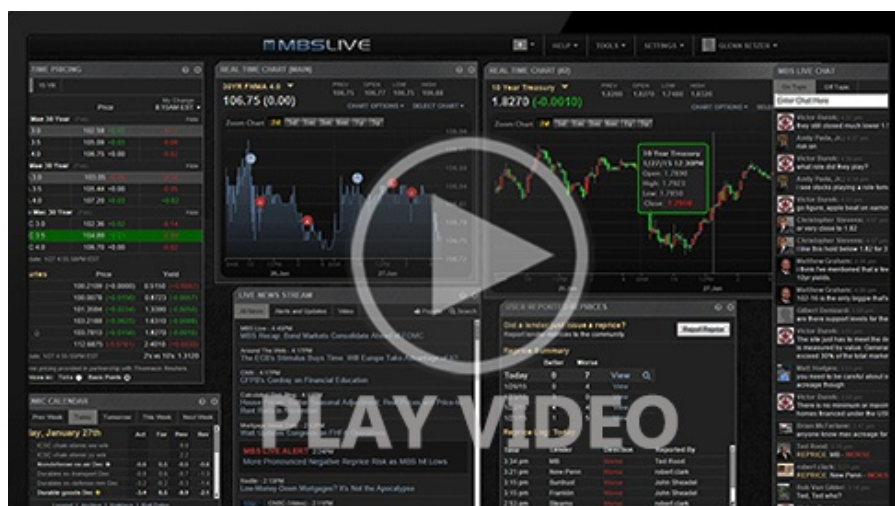
M: 914-391-1183

2900 Westchester Ave.
Purchase NY 10577-____
307827

Uneventfully Flat After Initial Weakness

MBS Recap | Matthew Graham | 4:58 PM

The bond market only had a little more selling to do thanks to the unpleasant tailwind from Wednesday afternoon's Fed press conference. That said, one could also argue that **corporate bond** issuance was the source of early weakness. Either way, yields are now back where they would have been in lieu of the Oct 10th tariff announcement and the Oct 16th regional bank drama (the two biggest recent events that pushed them lower). Fed rate expectations for the December meeting are worse off--nearly back to levels seen BEFORE the jobs report that came out in early September. This highlights the extent to which the market was overestimating the near-term rate cut path. What next? More of the same: waiting for data that won't be reported and making do with available private data.



MBS Morning

10:22 AM Enthusiasm Curbed. Back to Waiting

Alert

3:20 PM Negative Reprice Risk Increasing For Some Lenders

4:01 PM

Market Movement Recap

- 10:07 AM mostly flat overnight with some additional selling starting just before the open. MBS down 3 ticks (.09) and 10yr up 2.4bps at 4.096
- 12:52 PM Decent recovery. MBS unchanged and 10yr up only 1.4bps at 4.085
- 03:20 PM 10yr yields are still off the morning highs, but up 2.3bps at 4.095. MBS down 2 ticks (.06) on the day and 6 ticks (.19) from the highs.

Lock / Float Considerations

- As feared, there was some negative follow-through from Fed day into Thursday (especially on rate sheets). As far as the Fed being the driver of this weakness, it has likely run its course now. This isn't to say that rates must bounce back lower. Rather, we're back to a more neutral risk/reward environment. Wednesday afternoon was one of those rare cases where Thursday stood a much higher than average chance of seeing higher rates.

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
 - o 4.12
 - o 4.05

- Floor/Resistance
 - o 3.89
 - o 3.97

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	4.100%	+0.028%
2 YR	3.610%	+0.014%
30 YR	4.657%	+0.035%
5 YR	3.718%	+0.008%

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