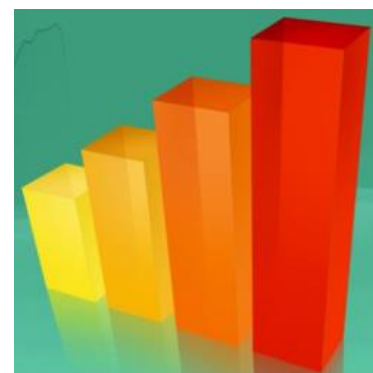


MBS & TREASURY MARKETS

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MBS Recap: Fed Minutes Push Yields Higher



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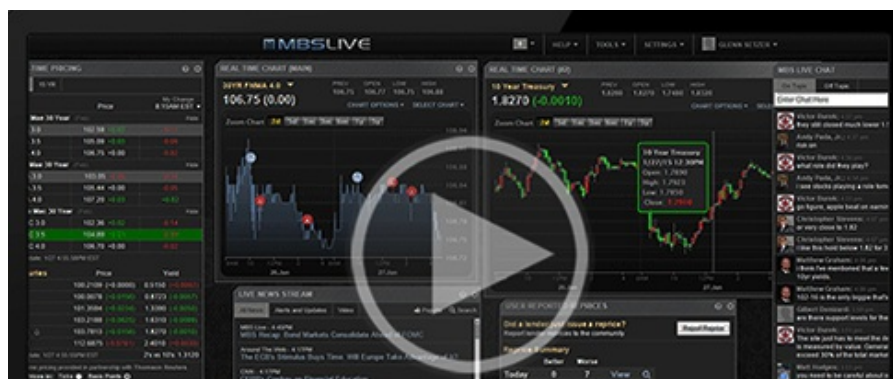
San Francisco CA 94123



Fed Minutes Push Yields Higher

MBS Recap | Matthew Graham | 4:21 PM

As expected, the recent raft of **hawkish** Fed speakers foreshadowed (whether intentionally or coincidentally) a **hawkish** message in today's Fed minutes. At issue: "many" meeting participants felt that a December cut would NOT likely be justified as opposed to "several" who disagreed. This was compounded by the fact that BLS rescheduled the early December jobs report for 12/16/25--6 days after the December Fed meeting. In other words, there won't be any employment data that would help the Fed justify a cut next month. Fed Funds futures agreed with a spike in implied yields immediately following the BLS news. Longer-term bonds followed suit after the Fed Minutes.





Watch the Video

MBS Morning

10:11 AM Yields Following Stocks Higher; Fed Minutes on Deck

Alert

2:41 PM Down an Eighth From Mid-Day Highs

3:28 PM

Econ Data / Events

- ○ ADP Weekly Payrolls
 - -2.5k vs -11.25k prev
- Jobless Claims (October 18th)
 - 232k vs 223k f'cast, 219k prev
- Factory Orders
 - 1.4 vs 1.4 f'cast, -1.3 prev
- Builder Confidence
 - 38 vs 37 f'cast, 37 prev
- Core Durable Goods (Aug)
 - 0.4 vs 0.6 f'cast/prev

Market Movement Recap

- 10:02 AM Slightly stronger overnight, but losing ground since 9:30am NYSE open. MBS unchanged and 10yr up 1.1bps at 4.12
- 11:01 AM Bouncing back from AM weakness. MBS up 1 tick and 10yr up 0.9bps at 4.118
- 02:13 PM no reaction to Fed Minutes. MBS unchanged and 10yr down 0.4bps at 4.106
- 02:43 PM Weakest levels of the day for MBS, down 2 ticks (.06). 10yr up 1.3bps at 4.123
- 04:18 PM Heading out near weakest levels. MBS down 3 ticks (.09) and 10yr up 1.9bps at 4.128

Lock / Float Considerations

- Bonds were under pressure to end the day on Wednesday. Lenders who didn't reprice for the worse will be forced to account for that weakness in Thursday AM's rate sheets (assuming bonds are unchanged day over day). That's a risky assumption considering the morning release of September jobs numbers. Risk/reward is elevated ahead of that data.

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	4.134%	+0.025%
2 YR	3.592%	+0.016%
30 YR	4.753%	+0.020%
5 YR	3.707%	+0.027%

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