MBS Recap: Limited Follow-Through After Shockingly Big Miss

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Limited Follow-Through After Shockingly Big Miss

MBS Recap Matthew Graham | 4:53 PM

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If you told the average trader that today's core CPI would come in at 2.6% vs 3.0% year over year, they would have expected a much bigger reaction than we saw today. Ironically, the size of the miss may be one of those reasons. It's so far outside the realm of expected possibilities that traders immediately assumed the presence of legitimate issues with November's data collection. Nonetheless, it was worth a moderate extension of the overnight rally.

Watch the Video

MBS Morning

8:47 AM Big Drop in Annual CPI, But Only a Cautious Rally So Far

3:50 PM

Econ Data / Events

- Continued Claims (Dec)/06
  - 1,897K vs 1930K f'cast, 1838K prev
- Jobless Claims (Dec)/13
  - 224K vs 225K f'cast, 236K prev
- Philly Fed Business Index (Dec)
  - -10.2 vs 3 f'cast, -1.7 prev
- Philly Fed Prices Paid (Dec)
  - 43.60 vs -- f'cast, 56.10 prev
- y/y CORE CPI (Nov)
  - 2.6% vs 3% f'cast, 3.0% prev
- y/y Headline CPI (Nov)
  - 2.7% vs 3.1% f'cast, 3.0% prev

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Market Movement Recap

08:47 AM Rallying after CPI data. MBS up a quarter point and 10yr down 4.4bps at 4.115

12:18 PM Off best levels. MBS still up 5 ticks (.16) and 10yr down 3.1bps at 4.127

02:56 PM MBS up 7 ticks (.22) and 10yr down 4.2bps at 4.117

Lock / Float Considerations

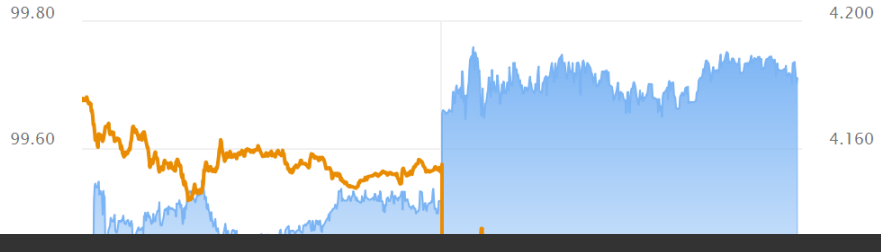
- Thursday's CPI data was so far below expectations that bonds hesitated to rally as aggressively as the numbers suggested. Nonetheless, this easily reinforces the ceiling of the recent range and arguably serves as the last true trading day of 2025. Apart from some potential random year-end volatility at the very end of the month, the next risk for consequential volatility from scheduled events won't be until the first week of January.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
  - 4.48
  - 4.40
  - 4.34
  - 4.28
  - 4.19
  - 4.12
  - 4.05

- Floor/Resistance
  - 3.89
  - 3.97

MBS & Treasury Markets



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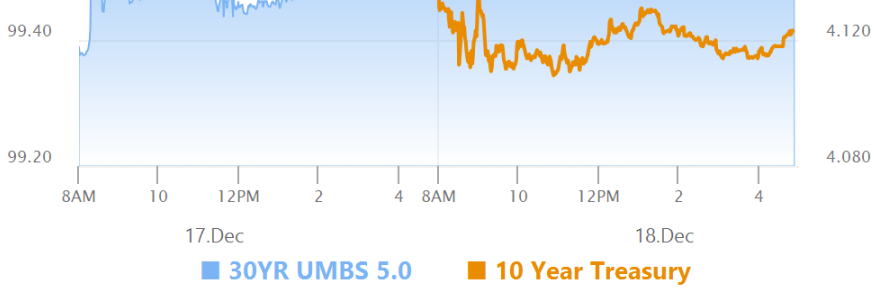

MBS

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

US Treasuries

10 YR	4.123%	-0.036%
2 YR	3.462%	-0.022%
30 YR	4.804%	-0.032%
5 YR	3.663%	-0.037%

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