

MBS & TREASURY MARKETS

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MBS Recap: Bonds Recovering a Bit After "Framework of a Deal" on Greenland



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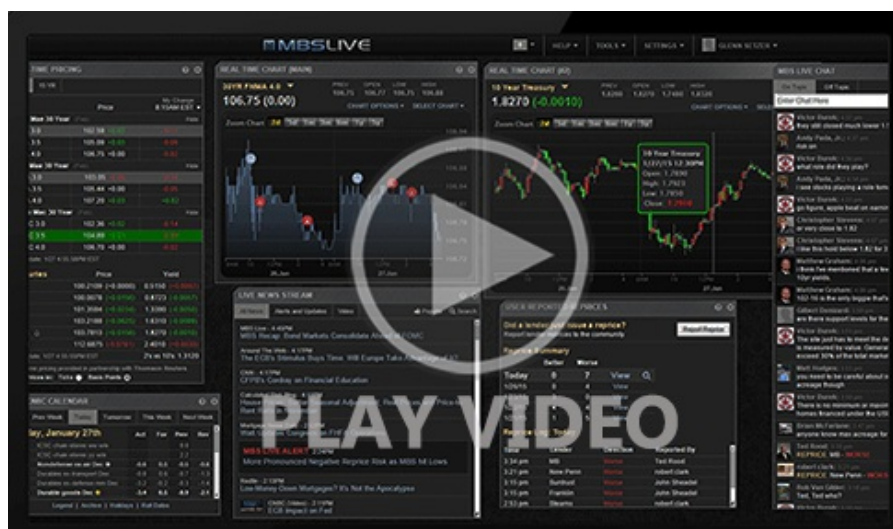
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Bonds Recovering a Bit After "Framework of a Deal" on Greenland

MBS Recap | Matthew Graham | 3:44 PM

Geopolitics have been front and center for financial markets over the past 2 days with both stocks and bonds taking clear cues from newswires pertaining to tariff brinksmanship, trade deal negotiations, foreign wealth fund participation, and ultimately, the late-day announcement of a "framework of a deal" regarding Greenland. Details are in short supply, but the most important development being a pause on the plan to implement new tariffs on February 1st. Markets are cautiously trading this as a win for now with stocks and bonds at the best levels of the week, but definitely not back in line with last week's levels.



Watch the Video

10:47 AM Calmer Day so Far, But No Relief From Recent Rout

3:20 PM

Econ Data / Events

- ○ MBA Purchase Index (Jan)/16
 - 194.1 vs 184.6 prev
- MBA Refi Index (Jan)/16
 - 1580.8 vs 1313.1 prev
- Pending Home Sales
 - 71.8 vs 79.2 prev

Market Movement Recap

- 09:54 AM choppy, sideways overnight session and little-changed so far. MBS up 2 ticks (.06) and 10yr down 1bp at 4.286
- 01:25 PM reasonably well received 20yr bond auction. 10yr down 3 bps at 4.266 and MBS up an eighth.
- 02:57 PM Best levels of the day after Greenland-related tariff pause and word of a "deal framework." MBS up 6 ticks (.19) and 10yr down 4.6bps at 4.25

Lock / Float Considerations

- Geopolitical risks began to ebb on Wednesday with potential Greenland de-escalation. This helps resolve the asymmetry we discussed on Tuesday and possibly creates some favorable asymmetry in the other direction. To reiterate yesterday's important point: asymmetric risk is never intended as a comment on future directional movement, but rather, the relative size of rally potential vs selling potential. On a very short term, tactical note, those floating with lenders who do NOT reprice for the better this afternoon will have a bit of a cushion heading into tomorrow as rate sheets were flat before several lenders began to reprice (and MBS are up roughly 19bps on the day as of 3:30pm).

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 | 4.254% | -0.042% |
| 2 YR | 3.593% | -0.004% |
| 30 YR | 4.876% | -0.040% |
| 5 YR | 3.830% | -0.023% |

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