

MBS & TREASURY MARKETS

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



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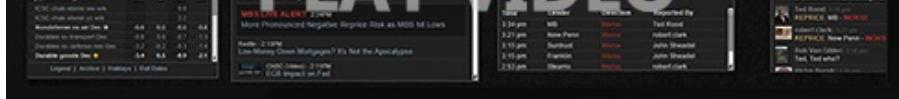


Bonds Recovering a Bit After "Framework of a Deal" on Greenland

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.

The image shows a screenshot of the MBS Live software interface. The top navigation bar includes 'TIME PAGING', 'HELP', 'TOOLS', 'SETTINGS', and 'GLENN SEIDOR'. The main area features several charts: a 'Real Time Chart 30Y' for the 30-Year Treasury (Price: 106.75, Yield: 3.50%) showing a recent dip and recovery; a 'Real Time Chart 10Y' for the 10-Year Treasury (Price: 106.75, Yield: 2.50%) showing a similar trend; and a 'Real Time Chart 5Y' for the 5-Year Treasury (Price: 106.75, Yield: 1.50%) showing a slight increase. Below the charts is a 'LIVE NEWS STREAM' with a play button overlay. The stream includes headlines such as 'Will the US and China reach a deal?', 'China's stimulus plan', and 'US Treasury yields drop to 2018 low'. On the right side, there is a 'CHAT' window with a list of messages from users like 'Andy', 'John', and 'Mike', and a 'TOPIC' section for 'TREASURY MARKET'. The bottom of the screen shows a 'PLAY VIDEO' button and a date stamp 'Mon, January 27th'.



Watch the Video

MBS Morning

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")

- 4.48
- 4.40
- 4.34
- 4.28
- 4.19
- 4.12
- 4.05

- Floor/Resistance

- 3.89
- 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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