

MBS & TREASURY MARKETS

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MBS Recap: Half-Hearted Correction Continues

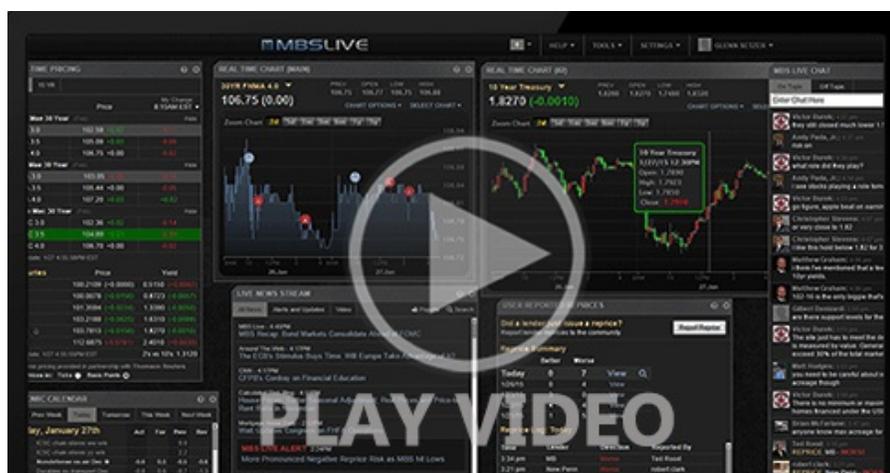


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Half-Hearted Correction Continues

MBS Recap | Matthew Graham | 4:21 PM

Don't call it a correction. Yields may have rallied 30bps in just over a week and apparently bounced almost perfectly at 4% (10yr), but they haven't exactly done much over the past 2 days. It's just as fair to say things are "sideways and waiting for guidance," but the cautious approach is to respect the almost-too-obvious technical patterns in play since July. Specifically, bonds have rallied 25-30bps and then consolidated toward slightly higher levels on multiple occasions. This could be the beginning of another similar pattern, but anything is possible if data is gloomy over the next 2 days (especially Friday). Today's data was modestly unfriendly with core durable goods at 0.6 vs 0.4 and a lackluster 20yr bond auction (not typically a market mover, but added some pressure today).



MBS Morning

11:06 AM Key Technical Level, But Does it Matter?

3:23 PM

Econ Data / Events

- ○ MBA Purchase Index (Feb)/13
 - 157.1 vs -- f'cast, 161.5 prev
- MBA Refi Index (Feb)/13
 - 1375.9 vs -- f'cast, 1284.6 prev
- Core Durable Goods (Dec)
 - 0.6% vs 0.4% f'cast, 0.7% prev
- Durable goods (Dec)
 - -1.4% vs -2% f'cast, 5.3% prev
- Housing starts number mm (Dec)
 - 1.404M vs 1.33M f'cast, -- prev
- Housing starts number mm (Nov)
 - 1.322M vs -- f'cast, 1.246M prev

Market Movement Recap

- 08:33 AM Roughly unchanged overnight and no major reaction to 830am data. MBS unchanged and 10yr up half a bp at 4.064
- 01:21 PM Slightly weaker after 20yr auction. 10yr yields up 2.2bps at 4.082. MBS unchanged after being up 3 ticks (.09).
- 02:09 PM zero reaction to Fed Minutes. MBS unchanged and 10yr up 2bps at 4.081

Lock / Float Considerations

- With bonds failing to build on last week's gains, there's an increased sense of technical resistance at the 4% mark in 10yr yields. One could also consider that yields have been roughly limited to 25bp rallies and have tended to see some correction after every example going back to July 2025. This set-up is a bit more defensive than average, but anything is possible if econ data is gloomy over the next 2 days.

Technical/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	4.083%	+0.024%
2 YR	3.464%	+0.022%

30 YR

4.709%

+0.018%

5 YR

3.650%

+0.021%

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