

MBS & TREASURY MARKETS

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A message from Marc Erickson:

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MBS Recap: Bonds Erase Most of The AM Losses



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Bonds Erase Most of The AM Losses

The bond market was visibly pulled in two directions on Tuesday. This played out in phases, with AM weakness followed by a gradual recovery. But it can also be assumed to be playing out at any given moment as bonds listen to the voices arguing in their own mind. One voice says yields need to go higher due to inflation expectations and Treasury issuance implications. The other says that Treasuries are still a global safe haven amid geopolitical uncertainty (and, to a lesser extent, that the sell-off through 9am this morning may have been a tad overdone). Looking at stocks vs bonds, it does indeed look like yesterday was more about inflation fears and new-month positioning while today was a risk-off move that started at the 9:30am NYSE open.



Watch the Video

MBS Morning

9:47 AM Heavy Overnight Selling But Inflation Narrative Remains in Doubt

3:31 PM

Market Movement Recap

- 08:48 AM Another overnight session with heavy selling. 10yr up 6.4bps at 4.099 and MBS down 9 ticks (.28).
- 10:58 AM decent recovery in 10am hour. MBS down less than a quarter point now and 10yr up only 3.3bps at 4.069
- 01:39 PM Recovery continues. MBS down only an eighth and 10yr up 1.6bps at 4.052
- 04:13 PM Off best levels heading into the close. MBS down 5 ticks (.16) and 10yr up 2.6bps at 4.062

Lock / Float Considerations

- Volatility risk remains much higher than normal amid a combination of geopolitical uncertainty and the schedule of incoming economic data. Recent bond market weakness received a hint of support on Tuesday, but only the most risk-tolerant clients would allow that to inform their lock/float preferences. Everyone else is waiting for firmer evidence that the bleeding has stopped

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 UMBS-15
30YR GNMA 5.0
15YR UMBS-15 5.0

US Treasuries

10 YR	4.063%	+0.027%
2 YR	3.507%	+0.035%
30 YR	4.704%	+0.030%
5 YR	3.640%	+0.032%

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