

MBS & TREASURY MARKETS

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MBS Recap: Big Round Trip in Oil Prices and Bond Yields



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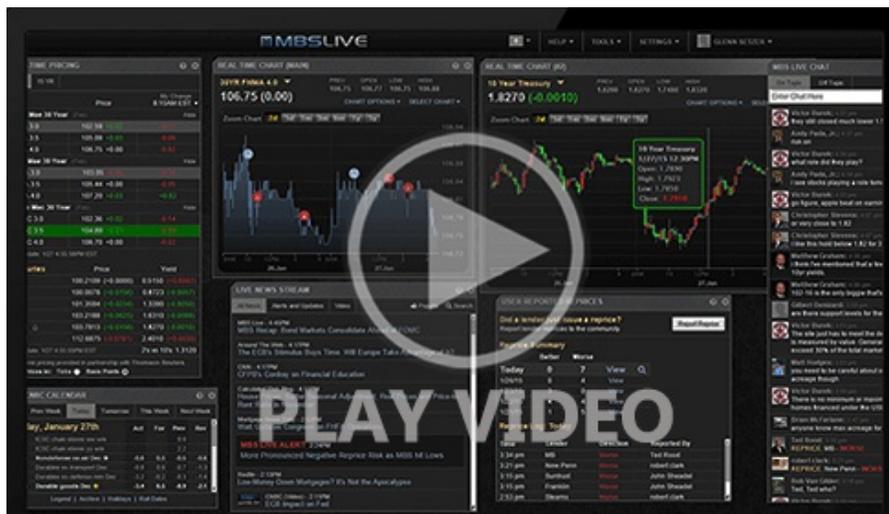
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Big Round Trip in Oil Prices and Bond Yields

MBS Recap | Matthew Graham | 2:55 PM

There was no denying the spillover from oil price volatility to the bond market this morning, even if it took quite a lot of the former to move the latter. At its apex, the oil surge was the largest daily move on record at over \$26/bbl (just over a 28% jump). This translated to a 10yr yield jump of almost 8bps to start the overnight session. But things were already reversing course quickly by the time European trading began. Then, by the start of U.S. trading, 10yr yields were already back below 4.18% and continued to fall back to unchanged levels at 4.13% by 2pm ET. The reversal almost perfectly traced the reversal in oil prices.



MBS Morning

8:45 AM Biggest Oil Spike Yet Leaves No Doubts

2:33 PM

Market Movement Recap

- 08:19 AM Sharply weaker overnight with oil price spike. High yields of 4.21% in 10yr. Now up only 4.2bps at 4.171. MBS down just under a quarter point.
- 10:48 AM Off the weakest levels. MBS down an eighth and 10yr up 2.8bps at 4.157
- 01:55 PM MBS back to unchanged. 10yr also unchanged at 4.13

Lock / Float Considerations

- Volatility risk remains much higher than normal due to geopolitical uncertainty. There is some econ data this week that would traditionally be worth watching, but oil price volatility argues against reading too much into February's CPI

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

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

US Treasuries

10 YR	4.132%	+0.002%
2 YR	3.588%	+0.038%
30 YR	4.738%	-0.027%
5 YR	3.731%	+0.006%

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