

MBS & TREASURY MARKETS

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MBS Recap: General Selling Spree Continues



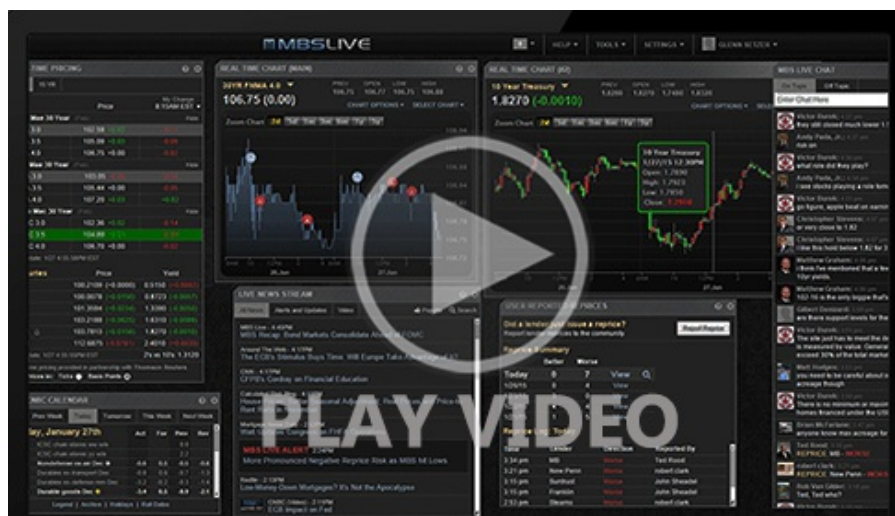
KV Mortgage



General Selling Spree Continues

MBS Recap | Matthew Graham | 5:09 PM

It hasn't exactly been perfectly linear, but the month of March has generally been a one-way trade for the bond market. In less than 2 weeks, 10yr yields are up from 3.95 to 4.22+ without any provocation from econ data. Today was another example as CPI came in right in line with forecasts. Despite that apparently decent news, yields rose steadily throughout the morning, and we can't really blame oil prices today (even if higher energy costs are assumed to be very much on the bond market's mind). Newswires the war costing \$11bln last week also don't help, especially on a day where bond traders are already thinking about Treasury supply due to the auction cycle. MBS sold off proportionally in the morning and underperformed in the afternoon, thus making for the highest 30yr rates in over a month and one of the biggest daily jumps we've seen in a while.



MBS Morning

9:36 AM Overnight Weakness, Limited CPI Impact, MBS Outperformance

Alert

10:56 AM MBS Down an Eighth From Highs

Alert

12:00 PM Negative Reprice Risk Increasing

4:25 PM

Econ Data / Events

- ○ m/m CORE CPI (Feb)
 - 0.2% vs 0.2% f'cast, 0.3% prev
- m/m Headline CPI (Feb)
 - 0.3% vs 0.3% f'cast, 0.2% prev
- y/y CORE CPI (Feb)
 - 2.5% vs 2.5% f'cast, 2.5% prev
- y/y Headline CPI (Feb)
 - 2.4% vs 2.4% f'cast, 2.4% prev

Market Movement Recap

08:41 AM Weaker overnight and no reaction to CPI. MBS roughly unchanged. 10yr yield up 2.5bps at 4.185

12:37 PM Weakest levels at noon ET and bouncing back a bit since then. 10yr up 4.5bps at 4.205. MBS 2 ticks (.06) off the lows, but still and eighth below rate sheet print times.

04:28 PM weakest levels of the day. MBS down more than a quarter point and 10yr up 6.2bps at 4.22

Lock / Float Considerations

- Volatility risk remains much higher than normal due to geopolitical uncertainty. The entire month of

March has been bearish for rates so far. It makes sense to remain defensive until that bearish streak has clearly leveled off.

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	4.227%	+0.067%
2 YR	3.651%	+0.049%
30 YR	4.882%	+0.088%
5 YR	3.995%	+0.064%

5 YR

3.805%

+0.064%

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