MBS Recap: Today's Weakness Mostly War-Related With Small Boost From Fed

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Today's Weakness Mostly War-Related With Small Boost From Fed

MBS Recap Matthew Graham | 4:40 PM

Because today was was a "Fed day" and because bonds hit their weakest levels of the day after the Fed announcement, we may look back on the selling and blame the Fed. In actuality, the Fed was only a small piece of the puzzle. Specifically, 10yr yields had already moved up from 4.34+ to 4.40 before the Fed announcement. At the 3pm CME close, there was only 1 more basis point of selling (4.41). The overnight/morning weakness was already covered in the morning commentary, but as a reminder, it had to do with the potential for a longer-term blockade of The Strait of Hormuz. There were no major issues with the Fed, but the market didn't like the fact that 3 dissenting voters preferred to abandon the vague reference to future rate cuts via the "additional adjustments" verbiage.

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Watch the Video

MBS Morning

9:31 AM More Losses After Blockade Extension News

Alert

10:06 AM Relatively Abrupt Selling

Commentary

2:00 PM Here's What Changed in The New Fed Announcement

Alert

2:12 PM Slightly Weaker After Fed Announcement

4:26 PM

Econ Data / Events

- MBA Purchase Index (Apr)/24
  - 177.7 vs -- f'cast, 175.6 prev
- MBA Refi Index (Apr)/24
  - 977.9 vs -- f'cast, 1023.1 prev
- Mortgage (Mar)ket Index (Apr)/24
  - 298.5 vs -- f'cast, 303.3 prev
- Building Permits (Mar)
  - 1.372M vs 1.39M f'cast, 1.538M prev
- Building Permits (Feb)
  - 1.538M vs -- f'cast, 1.386M prev
- Core CapEx (Mar)
  - 3.3% vs 0.5% f'cast, 0.6% prev
- Durable goods (Mar)
  - 0.8% vs 0.5% f'cast, -1.4% prev

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- Housing starts number mm (Mar)
  - 1.502M vs 1.40M f'cast, -- prev

Market Movement Recap

08:31 AM weaker overnight and modest additional selling after 830am data. MBS down 3 ticks (.09) and 10yr up 2bps at 4.369

10:07 AM MBS down 10 ticks (.31) and 10yr up 5.3bps at 4.402

12:01 PM Some volatility in response to news that the US is considering renewed strikes in Iran, but losses have been erased since then. MBS still down about 30bps and 10yr up 5bps at 4.398

02:16 PM Slightly weaker after Fed announcement. MBS down 14 ticks (.44) and 10yr up 5.8bps at 4.406

02:53 PM Weakest levels. MBS down nearly half a point. 10yr up 7bps at 4.42

Lock / Float Considerations

- 4/29/26 - Absence of overhead support from the range argues in favor of a defensive stance until further notice. Market pain associated with the Iran war should eventually be self-limiting (i.e. oil goes high enough to crush the economy and bond yields rise enough to bring in value buyers), but there's no telling exactly where that inflection point will be.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
  - 4.66
  - 4.59
  - 4.48

- Floor/Resistance
  - 4.05
  - 4.12
  - 4.19
  - 4.28
  - 4.34
  - 4.40

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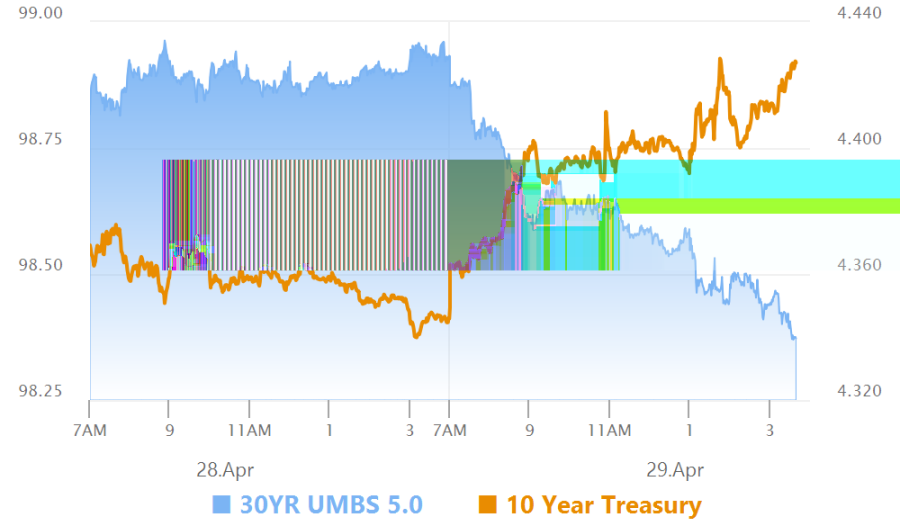
MBS & Treasury Markets



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

US Treasuries		
10 YR	4.426%	+0.078%
2 YR	3.947%	+0.106%
30 YR	4.998%	+0.061%
5 YR	4.076%	+0.095%

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