MBS & TREASURY MARKETS
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MBS Recap: Data Didn't Hurt, But Bonds Underperformed The Oil Price Recovery

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Data Didn't Hurt, But Bonds Underperformed The Oil Price Recovery

MBS Recap Matthew Graham | 3:19 PM

Today's headline is somewhat misleading. It points out the fact that oil prices made it back to yesterday's lows whereas bond yields didn't even come close. This is all true, assuming we're looking at front month oil prices. But if we use a longer-term futures contract for oil, the correlation with bonds was actually closer to 1:1. Either way, the bond rally only unwound a fraction of yesterday's losses and that's especially true for MBS (5.0 coupons lost half a point yesterday, but regained less than a quarter point today). Econ data didn't hurt, but it didn't exactly help either. ISM and Job Openings were both very close to consensus.

Watch the Video

MBS Morning

9:37 AM Modest Recovery Ahead of Econ Data

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2:56 PM

Econ Data / Events

- Trade Gap (Mar)
  - -60.30B vs $-60.9B f'cast, $-57.3B prev
- S&P Global Services PMI (Apr)
  - 51.0 vs 51.3 f'cast, 49.8 prev
- ISM Biz Activity (Apr)
  - 55.9 vs -- f'cast, 53.9 prev
- ISM N-Mfg PMI (Apr)
  - 53.6 vs 53.7 f'cast, 54.0 prev
- ISM Services Employment (Apr)
  - 48.0 vs -- f'cast, 45.2 prev
- ISM Services New Orders (Apr)
  - 53.5 vs -- f'cast, 60.6 prev
- ISM Services Prices (Apr)
  - 70.7 vs -- f'cast, 70.7 prev
- New Home Sales (Mar)
  - 682K vs 0.65M f'cast, 587K prev
- USA JOLTS Job Openings (Mar)
  - 6.866M vs 6.84M f'cast, 6.882M prev

Market Movement Recap

09:04 AM Modestly stronger overnight with bonds following oil prices. 10yr down 1.5bps at 4.422 and MBS up an eighth.

10:08 AM Slightly stronger after 10am data. MBS up 5 ticks (.16) and 10yr down 2.7bps at 4.41

12:14 PM best levels of the day. 10yr down 3.2bps at 4.406 and MBS up a quarter point.

02:42 PM Off best levels. MBS up 5 ticks (.16) and 10yr down 2bps at 4.419

Lock / Float Considerations

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- 5/5/26 - Modest recovery in bonds, but it's less than 1/3rd the size of yesterday's sell-off as far as MBS are concerned. Rates have recovered even less of yesterday's spike. In situations like this, that would allow for some improvement tomorrow if bonds hold their ground. Of course, improvement is not guaranteed, but for those who assume a 50/50 chance of a move in either direction, this is minor asymmetric risk in favor of risk takers.

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

MBS & Treasury Markets

MBS

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

US Treasuries

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10 YR	4.419%	-0.019%
2 YR	3.938%	-0.016%
30 YR	4.985%	-0.030%
5 YR	4.075%	-0.010%

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