

MBS & TREASURY MARKETS

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MBS Recap: Calm and Slightly Stronger, But Volatility Will be Back



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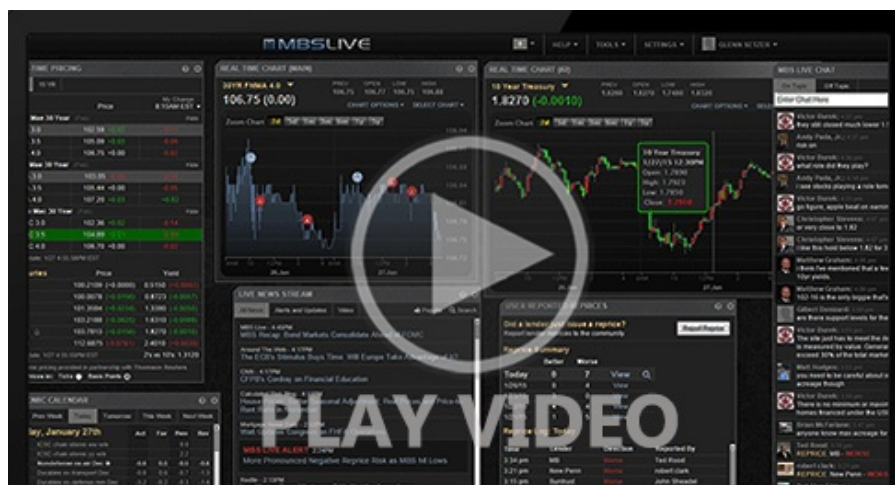
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Calm and Slightly Stronger, But Volatility Will be Back

MBS Recap | Matthew Graham | 3:28 PM

Once or twice per week, the bond market manages to post a fairly calm trading day against the prevailing backdrop of generally higher volatility. Today was such a day. The most helpful catalyst was an absence of any major war-related headlines and associated oil price volatility. That said, it's a near certainty that war-related volatility will be back in the coming week.



MBS Morning

9:00 AM Forget What You Know About The Payroll Count

2:03 PM

Econ Data / Events

- ○ Average earnings mm (Apr)
 - 0.2% vs 0.3% f'cast, 0.2% prev
- Non Farm Payrolls (Apr)
 - 115K vs 62K f'cast, 178K prev
- Participation Rate (Apr)
 - 61.8% vs -- f'cast, 61.9% prev
- Unemployment rate mm (Apr)
 - 4.3% vs 4.3% f'cast, 4.3% prev
- Consumer Sentiment (May)
 - 48.2 vs 49.5 f'cast, 49.8 prev
- Sentiment: 1y Inflation (May)
 - 4.5% vs -- f'cast, 4.7% prev
- Sentiment: 5y Inflation (May)
 - 3.4% vs -- f'cast, 3.5% prev

Market Movement Recap

- 08:32 AM No major reaction to jobs report. MBS up 2 ticks (.06) and 10yr down 1.5bps at 4.375
- 10:46 AM Slightly stronger but leveling off. MBS up 6 ticks (.19) and 10yr down 3.6bps at 4.356
- 02:13 PM MBS up 5 ticks (.16) and 10yr down 3.5bps at 4.356

Lock / Float Considerations

- 5/8/26 - Bonds remain range-bound after starting the week near the highs and failing to break below 4.34%. The next big move depends on the course of the war. There's no way to set a lock/float strategy based on war headlines in the short term. In the slightly longer term, a peace deal would likely carry some benefit for rates versus current levels.

Technical/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
 - o 4.66
 - o 4.59
 - o 4.48
- Floor/Resistance
 - o 4.05
 - o 4.12
 - o 4.19
 - o 4.28
 - o 4.34
 - o 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

| | | |
|-------|--------|---------|
| 10 YR | 4.367% | -0.024% |
|-------|--------|---------|

| | | |
|-------|--------|---------|
| 2 YR | 3.895% | -0.010% |
| 30 YR | 4.949% | -0.020% |
| 5 YR | 4.016% | -0.028% |

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