

MBS & TREASURY MARKETS

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MBS Recap: Highest Yields in 10 Months on War Headlines and Auction Concessions

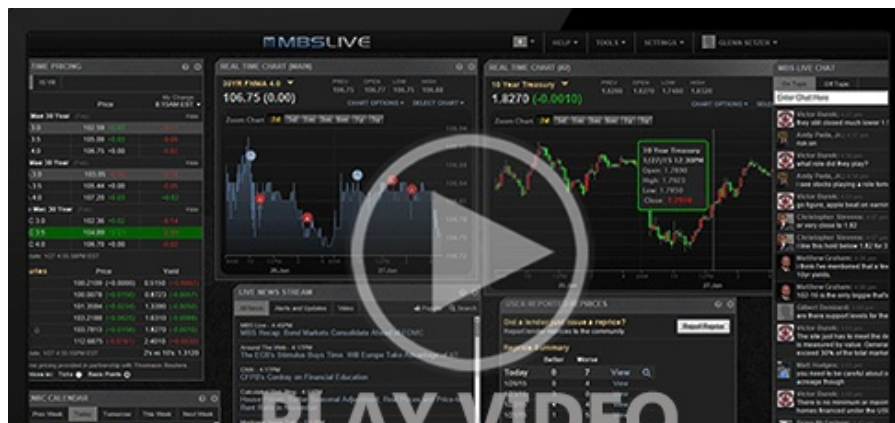


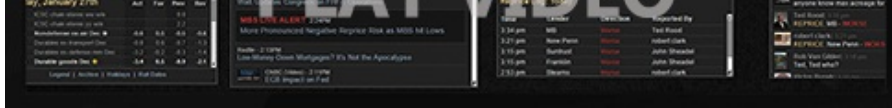
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Highest Yields in 10 Months on War Headlines and Auction Concessions

MBS Recap Matthew Graham | 4:05 PM

Because CPI came out slightly higher today and because of its status as a bigger potential market mover, many rate watchers will assume that's the reason 10yr yields closed at their highest level since last July. But bond yields were actually lower in the first 40 minutes post-CPI. It wasn't until newswires cited Trump saying he's in no hurry to end the war that yields began spiking (and stocks began selling). It's also worth noting that yields were already up to 4.44% ahead of CPI and only moved 2bps higher by the close (i.e. not much intraday movement in the grand scheme). Could CPI have been a factor for some traders? Sure, but the majority of post-CPI volume suggests the data was largely taken in stride.





Watch the Video

MBS Morning

9:29 AM Slightly Hotter CPI No Problem For Bonds

Alert

9:37 AM MBS Down More Than an Eighth From Highs

Alert

1:44 PM Weakest Levels

3:44 PM

Econ Data / Events

- ○ m/m CORE CPI (Apr)
 - 0.4% vs 0.3% f'cast, 0.2% prev
- m/m Headline CPI (Apr)
 - 0.6% vs 0.6% f'cast, 0.9% prev
- y/y CORE CPI (Apr)
 - 2.8% vs 2.7% f'cast, 2.6% prev
- y/y Headline CPI (Apr)
 - 3.8% vs 3.7% f'cast, 3.3% prev

Market Movement Recap

- 08:30 AM No major reaction to CPI. 10yr up 2.9bps at 4.438 and MBS are down only 2 ticks (.06).
- 09:39 AM MBS down 5 ticks (.16) and 10yr up 4.2bps at 4.451
- 02:03 PM Weakest levels. MBS down a quarter point and 10yr up 5.2bps at 4.461

Lock / Float Considerations

- 5/12/26 - War headlines continue driving volatility in the bond market and beyond. There's no way to set a lock/float strategy based on the war in the short term because potential volatility is higher and it doesn't adhere to a schedule. In the 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 | 4.461% | +0.052% |
| 2 YR | 3.881% | +0.021% |

2 YR
30 YR
5 YR

3.991%
5.026%
4.122%

+0.034%
+0.039%
+0.048%

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