

MBS & TREASURY MARKETS

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MBS Recap: MBS Fully Recover After Initial Reaction to Inflation Data



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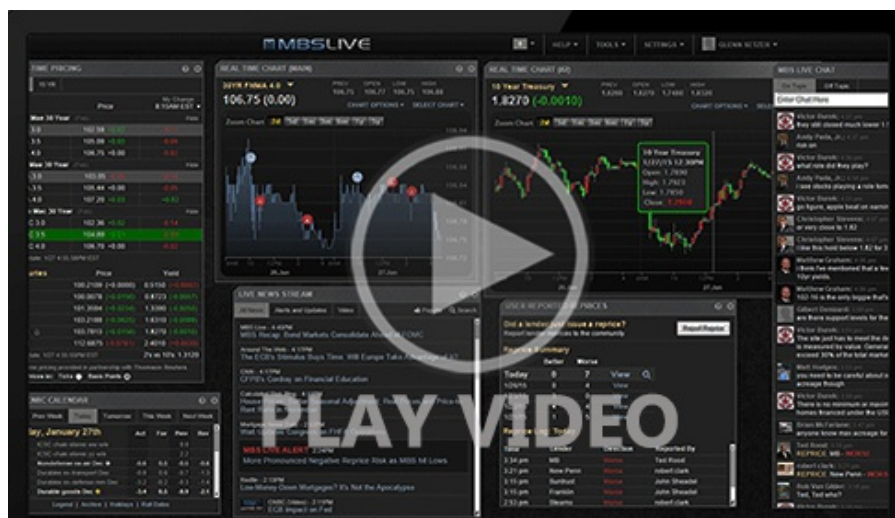
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MBS Fully Recover After Initial Reaction to Inflation Data

MBS Recap | Matthew Graham | 3:37 PM

There's no question that this morning's PPI data hit the bond market. The volume spike was easily higher than that seen with yesterday's CPI and the market movement left nothing to the imagination. In the big picture, a few bps of weakness in bond yields isn't that alarming, but if we consider PPI isn't usually a big deal and that yields were already pushing recent highs, things begin looking more meaningful. Despite the initial reaction, bonds found their footing after 11:30am. 10yr yields made it almost all the way back to pre-data levels and MBS fared even better--ultimately turning green around 2pm.



Alert

8:38 AM Losing Ground After PPI Data

MBS Morning

10:21 AM PPI Hit Even Harder Than CPI, But Damage is Minimal

Alert

11:32 AM New Lows For MBS

3:26 PM

Econ Data / Events

- ○ Core PPI m/m (Apr)
 - 1.0% vs 0.3% f'cast, 0.1% prev
- Core PPI y/y (Apr)
 - 5.2% vs 4.3% f'cast, 3.8% prev
- PPI m/m (Apr)
 - 1.4% vs 0.5% f'cast, 0.5% prev
- PPI y/y (Apr)
 - 6.0% vs 4.9% f'cast, 4% prev

Market Movement Recap

08:38 AM MBS down 3 ticks (.09) and 10yr up 3.2bps at 4.484

11:39 AM MBS down an eighth and 10yr up 3bps at 4.483

02:16 PM Nice bounce for MBS, now back to + 1 tick (.03) on the day. 10yr still up 2.7bps at 4.48

Lock / Float Considerations

- 5/13/26 - (unchanged from Tuesday) 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	4.473%	+0.020%
2 YR	3.981%	-0.008%
30 YR	5.043%	+0.017%
5 YR	4.120%	0.005%

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