

MBS & TREASURY MARKETS

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MBS Recap: Rally Reverses, Leaving Bonds Weaker in The Afternoon



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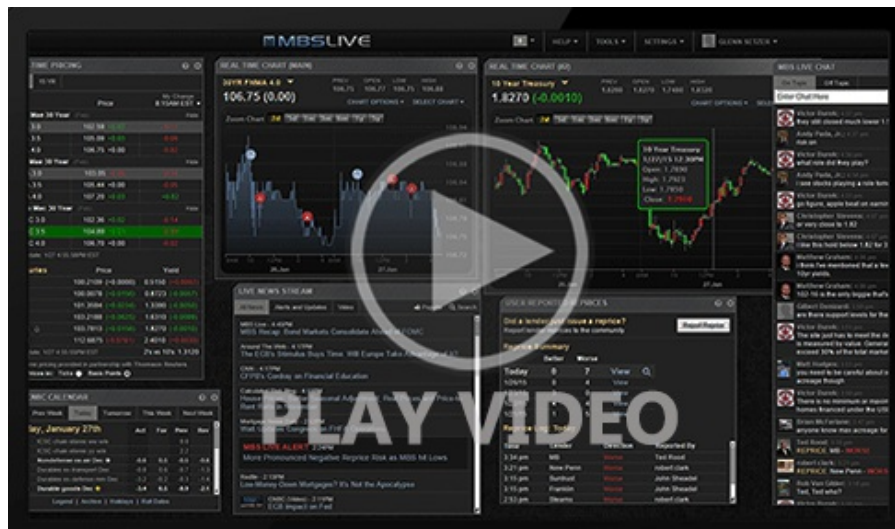
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Rally Reverses, Leaving Bonds Weaker in The Afternoon

MBS Recap | Matthew Graham | 4:22 PM

The day began with promise, but devolved into yet another disappointment. After being almost a quarter point higher at 10am, MBS slid to an eighth point loss by the close. 10yr yields were as low as 4.44% early but were as high as 4.48% in the final hour of trading. Just as frustrating as the weakness is the fact that there's no discrete scapegoat in the news or data. That said, oil prices were also moving higher during the bond sell-off. Given the absence of war-related headlines, some traders could be getting antsy due to a lack of progress in the first of Trump and Xi's 2 day meeting. Ahead of the event, there was some speculation that it would be a venue to announce a peace deal.



MBS Morning

9:46 AM Stronger Start. Ho Hum Data

Alert

2:26 PM Down More Than an Eighth From Highs

3:30 PM

Alert

3:49 PM New Lows and Slightly More Reprice Risk

Econ Data / Events

- ○ Continued Claims (May)/02
 - 1782.0K vs 1790K f'cast, 1766K prev
- Import prices mm (Apr)
 - 1.9% vs 1.0% f'cast, 0.8% prev
- Jobless Claims (May)/09
 - 211.0K vs 205K f'cast, 200K prev
- Retail Sales (Apr)
 - 0.5% vs 0.5% f'cast, 1.7% prev
- Retail Sales Control Group MoM (Apr)
 - 0.5% vs 0.4% f'cast, 0.7% prev

Market Movement Recap

- 08:30 AM No drama in Retail Sales data. MBS up an eighth and 10yr down 1.8bps at 4.446
- 11:06 AM Minimal change so far. MBS up an eighth and 10yr down 1.2bps at 4.452
- 02:26 PM MBS up 2 ticks (.06) on the day, down just over an eighth from the AM highs. 10yr yields are still down 1bp on the day at 4.455
- 03:25 PM Weakest levels of the day with 10yr now up 0.1bps at 4.465. MBS are still up 1 tick (.03).
- 04:19 PM More selling. MBS down 3 ticks (.09) and 10yr up 1.9bps at 4.484

Lock / Float Considerations

- 5/14/26 - (unchanged from Wednesday) 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

US Treasuries

10 YR	4.484%	+0.019%
2 YR	4.012%	+0.029%
30 YR	5.033%	-0.003%
5 YR	4.148%	+0.031%

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