MBS Recap: Peace Deal Rumors Make For Mid-Day Reversal

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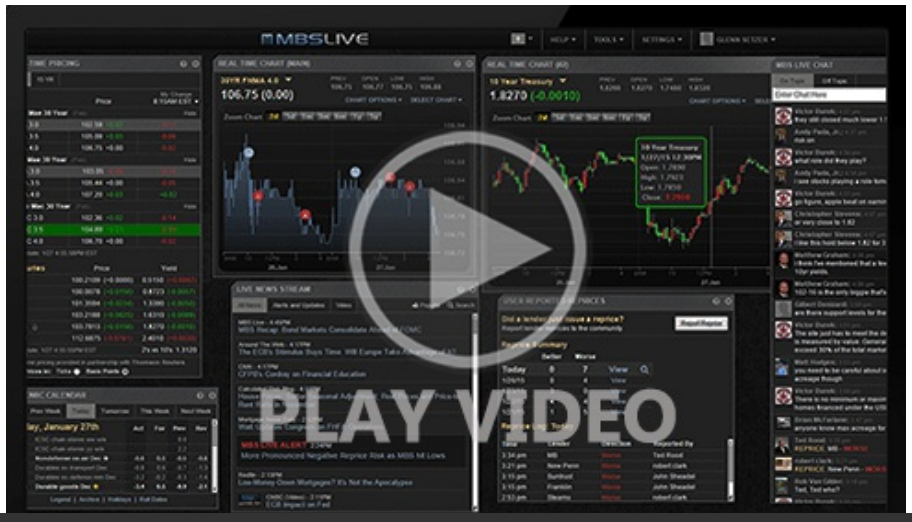
Peace Deal Rumors Make For Mid-Day Reversal

MBS Recap Matthew Graham | 4:03 PM

Bonds started the day in fairly forgettable and slightly weaker fashion after overnight headlines suggested that the disposition of Iran's nuclear material remains a sticking point. Bonds were flat at weaker levels all morning. Then, just after 1pm, a different headline suggested a "draft agreement" was expected to be announced in a matter of hours. It listed several bullet points, but ironically, nuclear material was not on the list. Nonetheless, the bond market rallied into positive territory rather easily. As much of a head-scratcher as that is (why get excited if the nuclear sticking point remains?), there's no question about the reaction function with oil prices perfectly matching the bond yield move.



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Watch the Video

MBS Morning

9:19 AM Bonds Turn Red Overnight on War Headlines

3:04 PM

Econ Data / Events

- Building Permits (Apr)
  - 1.442M vs 1.39M f'cast, 1.363M prev
- Continued Claims (May)/09
  - 1,782K vs 1790K f'cast, 1782K prev
- Housing starts number mm (Apr)
  - 1.465M vs 1.41M f'cast, 1.502M prev
- Jobless Claims (May)/16
  - 209K vs 210K f'cast, 211K prev
- Philly Fed Business Index (May)
  - -0.4 vs 18 f'cast, 26.7 prev
- Philly Fed Prices Paid (May)
  - 47.90 vs -- f'cast, 59.30 prev

Market Movement Recap

08:31 AM Weaker overnight as Iran says it's keeping nuclear material. MBS down a quarter point and 10yr up 3.2bps at 4.62

12:26 PM Fairly flat at modestly weaker levels. MBS down 3 ticks (.09) and 10yr up 1bp at 4.598

01:17 PM Rallying on Iran peace agreement rumors. MBS up 3 ticks (.09) and 10yr down 1.4bps at 4.575

02:29 PM Rally continues on peace deal news. MBS up more than a quarter point and 10yr down 3.2bps at 4.556

02:59 PM most recent newswires pushing back on previous, optimistic news. 10yr back near unchanged levels at 4.585 and MBS up an eighth (after being up more than a quarter point a short while ago.

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Lock / Float Considerations

- 5/21/26 -More war headlines, more market responsiveness. This is the dynamic we're generally expecting these days, so all was as it should have been. Tough to know if forces behind the scenes are going to try to hit some milestone before the 3 day weekend. If they did, rates would likely improve again on Friday. If not, a pull-back is a slightly bigger risk. Either way, we remain at the mercy of headline-driven volatility.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
  - 4.80
  - 4.72

- Floor/Resistance
  - 4.19
  - 4.28
  - 4.34
  - 4.40
  - 4.48
  - 4.59
  - 4.66

MBS & Treasury Markets

MBS	
30YR UMBS 5.0	+
30YR UMBS 5.5	+

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

US Treasuries		
10 YR	4.556%	-0.032%
2 YR	4.061%	+0.001%
30 YR	5.087%	-0.039%
5 YR	4.225%	-0.024%

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