

MBS & TREASURY MARKETS

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MBS Recap: Spoiler Alert: Yes, It Was War Headlines

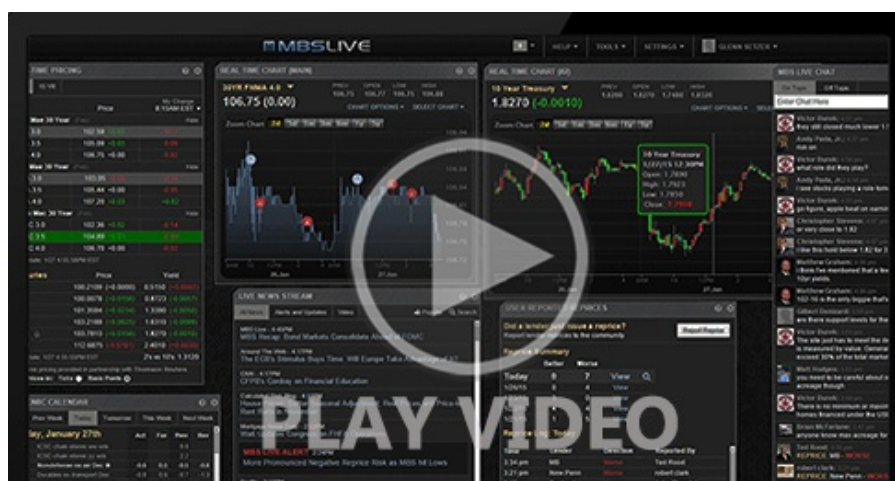


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Spoiler Alert: Yes, It Was War Headlines

MBS Recap | Matthew Graham | 3:45 PM

Need a way to explain overnight weakness in the bond market? War headlines. Need to know why bonds rallied sharply just after 10am ET to hit the best levels in 2 weeks? Yep, more war headlines. Granted, the 8:30am econ data was not completely ignored. A slightly softer-than-expected PCE inflation number helped bonds get back to unchanged levels, but a substantial majority of the day's volume followed the 10am news that essentially suggested the peace deal was approved, pending Trump's final sign off. Later in the day, separate newswires suggested Iran hadn't fully signed off, but no one seemed to care. Day over day gains were mild in the bigger picture, but resulted in the best trading levels in 2 weeks by the 3pm close.



MBS Morning

9:16 AM Not The Supertanker Bonds Were Looking For... But We'll Take It

Update

10:20 AM Guess What. Another War Headline. Another Volatile Response

3:17 PM

Econ Data / Events

- ○ Continued Claims (May)/16
 - 1786.0K vs 1780K f'cast, 1782K prev
- Core CapEx (Apr)
 - -1.1% vs 0.4% f'cast, 3.4% prev
- Core PCE (m/m) (Apr)
 - 0.2% vs 0.3% f'cast, 0.3% prev
- Core PCE (y/y) (Apr)
 - 3.3% vs 3.3% f'cast, 3.2% prev
- Core PCE Prices QoQQ1
 - 4.4% vs 4.3% f'cast, 2.7% prev
- Corporate profitsQ1
 - -0.4% vs 5.7% f'cast, 5.7% prev
- Durable goods (Apr)
 - 7.9% vs 3.5% f'cast, 0.8% prev
- GDPQ1
 - 1.6% vs 2.0% f'cast, 0.5% prev
- GDP Final SalesQ1
 - 1.5% vs 1.6% f'cast, 0.3% prev
- Jobless Claims (May)/23
 - 215.0K vs 211K f'cast, 209K prev
- PCE (y/y) (Apr)
 - 3.8% vs 3.8% f'cast, 3.5% prev
- PCE prices (m/m) (Apr)
 - 0.4% vs 0.5% f'cast, 0.7% prev

Market Movement Recap

- 08:19 AM Weaker overnight on reports of ongoing hostilities in Iran. MBS down over an eighth of a point and 10yr up 2.3bps at 4.507
- 09:17 AM Back near unchanged after data-driven rally. MBS down 1 tick (.03) and 10yr down half a bp at 4.479
- 10:59 AM quick rally on "deal" reports and a bit of pull back on "yeah but" reports. MBS up 2 ticks (.06) and 10yr down 2.4bps at 4.46
- 01:02 PM Near best levels. MBS up 5 ticks (.16) and 10yr down 3.4bps at 4.45

Lock / Float Considerations

- 5/28/26 -(unchanged) Bonds remain transfixed by war-related headlines and surprisingly receptive regardless of the quality of the news. The clear takeaway is that there's room to rally when peace is official, but also room to sell if the peace process falters.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
 - o 4.80
 - o 4.72
- Floor/Resistance
 - o 4.19
 - o 4.28
 - o 4.34
 - o 4.40
 - o 4.48
 - o 4.59
 - o 4.66

MBS & Treasury Markets

98.40

4.520





MBS

| | |
|------------------|---|
| 30YR UMBS 5.0 | + |
| 30YR UMBS 5.5 | + |
| 30YR GNMA 5.0 | + |
| 15YR UMBS-15 5.0 | |

US Treasuries

| | | |
|-------|--------|---------|
| 10 YR | 4.449% | -0.035% |
| 2 YR | 4.020% | -0.013% |
| 30 YR | 4.980% | -0.034% |
| 5 YR | 4.155% | -0.024% |

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