

MBS & TREASURY MARKETS

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MBS Recap: Yields End Higher Despite Some Mid-Day Solace



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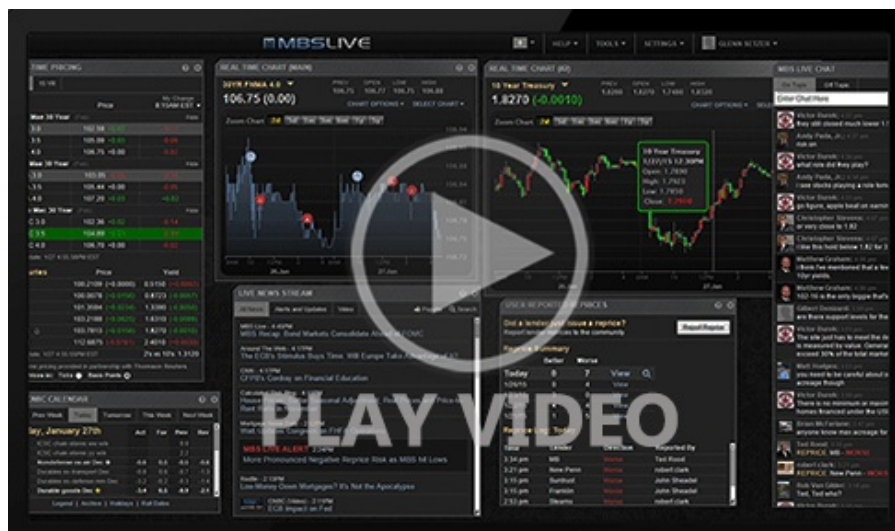
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Yields End Higher Despite Some Mid-Day Solace

MBS Recap | Matthew Graham | 3:56 PM

As has been almost constantly the case for the past few months, today's ebbs and flows in the bond market were tightly tied to the Iran war news cycle. Yields spiked after AM headlines suggested Iran was not interested in negotiating as long as fighting continues between Israel and Lebanon. Bonds bounced back in a friendlier direction after mid-day news that Trump would talk to Netanyahu about de-escalating. Nothing conclusive came from that conversation by the 3pm ET close and 10yr yields remained roughly 3bps higher on the day. Tuesday's slate of potential volatility receives an additional (though mild) layer of complication from the job openings data at 10am ET.



MBS Morning

9:35 AM Weaker Start as War News Cycle Shifts

Alert

9:36 AM Sharply Weaker on War-Related Headlines

3:44 PM

Econ Data / Events

- ○ Construction spending (Apr)
 - 0.4% vs 0.2% f'cast, 0.6% prev
- ISM Manufacturing Employment (May)
 - 48.6 vs -- f'cast, 46.4 prev
- ISM Manufacturing PMI (May)
 - 54.0 vs 53 f'cast, 52.7 prev
- ISM Mfg Prices Paid (May)
 - 82.1 vs 85.5 f'cast, 84.6 prev

Market Movement Recap

- 09:19 AM moderately weaker overnight with additional losses after latest war headlines regarding Iran breaking off talks. MBS down 6 ticks (.19) and 10yr up 3.6bps at 4.475
- 09:36 AM MBS are now down 3/8ths of a point on the day and 10 ticks (.31) from intraday highs. 10s are up 6bps at 4.497.
- 12:24 PM Holding near weakest levels. MBS down 14 ticks (.44) and 10yr up nearly 7bps at 4.507
- 02:02 PM rebounding on news about Trump/Netanyahu talks. 10yr still up 3bps at 4.47 and MBS down a quarter point

Lock / Float Considerations

- 6/1/26 - As we warned last Friday, there could be some back-and-forth yet to come before an official

peace deal in the Iran war. In the longer-term, rates should respond favorably when peace is actually achieved, but between now and then, overnight lock/float decisions are coin flips (as they are 95% of the time anyway).

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



MBS

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

US Treasuries

10 YR	4.464%	+0.025%
2 YR	4.039%	+0.038%
30 YR	4.992%	+0.015%

30 YR
5 YR

4.983%
4.173%

+0.015%
+0.029%

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