MBS Recap: Minimal Change After Overnight Volatility

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Minimal Change After Overnight Volatility

MBS Recap Matthew Graham | 3:45 PM

War headlines struck back in the overnight session. Specifically, Iran struck back against various U.S. and allied sites, allegedly in response to U.S. strikes on Iranian sites. Peace prospects take an obvious hit in response to these escalations and financial markets remain willing to react accordingly. Oil prices were already moving up to the highest levels in more than a week in the overnight session and that momentum peaked at 6am ET. Treasury yields followed and then stayed broadly sideways for the duration of the domestic session. In the bigger picture, 10s are well within the 4.43-4.51 range that dominated last week. War headline sensitivity continues accounting for 90% of forward-looking volatility risk while econ data rounds out the rest.

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MBS Morning

9:13 AM Weaker Start on Renewed Bombing, But Still In The Range

Alert

11:45 AM Down More Than an Eighth From Highs

3:17 PM

Econ Data / Events

- ADP jobs (May)
  - 122K vs 117K f'cast, 109K prev
- ISM N-Mfg PMI (May)
  - 54.5 vs 53.8 f'cast, 53.6 prev
- ISM Services Employment (May)
  - 47.9 vs -- f'cast, 48.0 prev
- ISM Services New Orders (May)
  - 57.3 vs -- f'cast, 53.5 prev
- ISM Services Prices (May)
  - 71.3 vs -- f'cast, 70.7 prev

Market Movement Recap

08:17 AM Moderately weaker overnight on renewed Iran war hostilities. Not much reaction to ADP data. 10yr up 3.7bps at 4.49 and MBS down a quarter point

10:17 AM modest improvement after ISM data, but only in Treasuries. 10yr up 2.3bps at 4.476 and MBS still down a quarter point

11:45 AM weakest levels with MBS down 10 ticks (.31) and 10yr up 4.5bps at 4.498

02:37 PM Sideways at weaker levels. MBS down 9 ticks (.28) and 10yr up 3.6bps at 4.489

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Lock / Float Considerations

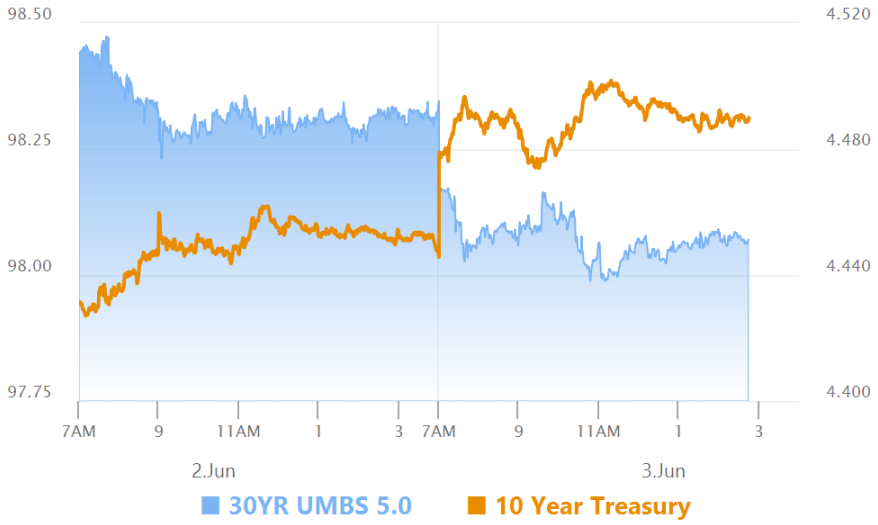
- 6/3/26 - War-related headlines returned and pushed rates higher. Sensitivity is lower than it was 2 weeks ago, but the ongoing willingness to react is what's important. It makes overnight floating more of a coin flip than normal. For those playing the narrow trading range between 4.43 and 4.51 in terms of 10yr yields, we're now closer to the higher end of that range and looking for a supportive bounce to suggest short-term opportunities.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
  - 4.80
  - 4.72
  - 4.66
  - 4.59
  - 4.51

- Floor/Resistance
  - 4.19
  - 4.28
  - 4.34
  - 4.43

MBS & Treasury Markets



MBS
30YR UMBS 5.0

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

US Treasuries		
10 YR	4.490%	+0.037%
2 YR	4.080%	+0.035%
30 YR	4.990%	+0.026%
5 YR	4.212%	+0.040%

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