

MBS & TREASURY MARKETS

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MBS Recap: War Headlines Cause Mid-Day Reversal



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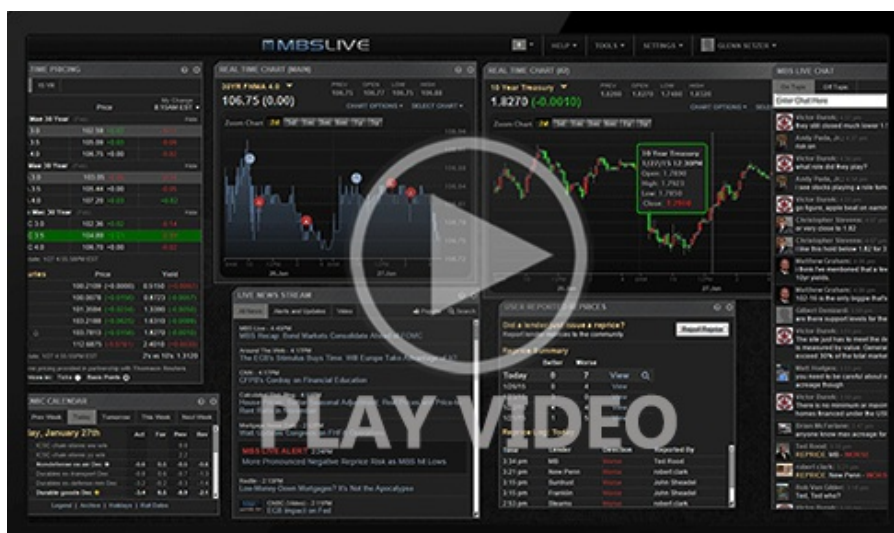
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War Headlines Cause Mid-Day Reversal

MBS Recap | Matthew Graham | 4:03 PM

Bonds started the day inconsequentially weaker and picked up some gains after CPI came in a hair lower than expected at the core level. Just before noon, yields began rising and ultimately hit the 3pm close up a few bps versus yesterday. MBS were down about an eighth of a point, but it wasn't enough for the average lender to bother with a reprice. A forensic audit of the afternoon weakness leaves only one explanation: war headlines. Specifically, Trump said the U.S. would be "attacking hard again today." The market may increasingly take these headlines with a grain of salt, but it doesn't ignore them. Both oil prices and bond yields moved higher after that and there were no notable alternative explanations for the 10yr weakness although the aftermath of the 10yr Treasury auction may have caused some supply/demand imbalances that contributed.



Watch the Video

MBS Morning

9:52 AM Slightly Stronger After Ho-Hum CPI

Alert

12:51 PM MBS Down an Eighth From Highs

Alert

1:35 PM Negative Reprices Becoming More Likely

2:44 PM

Econ Data / Events

- ○ m/m CORE CPI (May)
 - 0.2% vs 0.3% f'cast, 0.4% prev
- m/m Headline CPI (May)
 - 0.5% vs 0.5% f'cast, 0.6% prev

- 0.5% vs 0.5% f'cast, 0.0% prev
- y/y CORE CPI (May)
 - 2.9% vs 2.9% f'cast, 2.8% prev
- y/y Headline CPI (May)
 - 4.2% vs 4.2% f'cast, 3.8% prev

Market Movement Recap

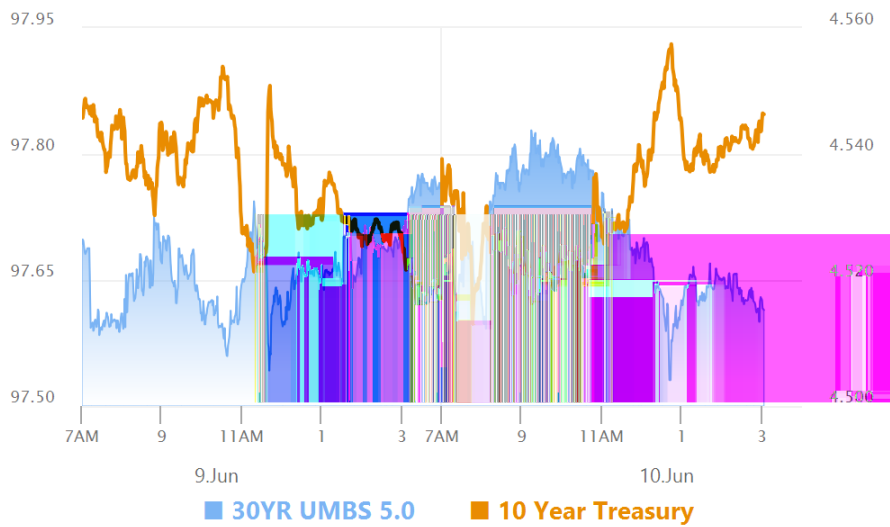
- 08:41 AM Slightly stronger after CPI. MBS up 1 tick (.03) and 10yr up 0.6bps at 4.526 (down from 4.538 before the data).
- 11:34 AM little changed from earlier levels. MBS up 1 tick (.03) and 10yr roughly unchanged at 4.519
- 11:55 AM Some volatility after Trump comments on attacking Iran. MBS down 1 tick (.03) and 10yr up 1bp at 4.529
- 02:55 PM Bouncing back from weakest levels. MBS now down 3 ticks (.09) vs 6 ticks (.19) earlier. 10yr now up 2.3bps at 4.541 vs intraday highs of 4.559

Lock / Float Considerations

- 6/10/26 - Another day of evidence for bonds leveling off after last week's selling. Risk-tolerant clients would continue using an overhead lock trigger at 4.57%. Risk-averse clients still haven't seen a solid enough show of support to justify a more neutral stance.

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

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

US Treasuries

| | | |
|-------|--------|---------|
| 10 YR | 4.546% | +0.028% |
| 2 YR | 4.133% | +0.019% |
| 30 YR | 5.028% | +0.033% |
| 5 YR | 4.268% | +0.024% |

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