MBS Recap: Volatility Risk Ramps Up From Here

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Volatility Risk Ramps Up From Here

MBS Recap Matthew Graham | 3:25 PM

Monday made it clear that traders are playing by the typical summertime, holiday week rules which often see the first day of the week result in very low volume and volatility. While participation should remain lighter than normal, that's no guaranty of an ongoing absence of volatility. Even if there are fewer traders in the room, they can still move markets if econ data or Fed-speak (Warsh is on the calendar for Wednesday) bring any surprises. We're also interested to see if there are visible shifts that transcend data/news based on the recently outsized role of quarter-end rebalancing trades.

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MBS Morning

10:24 AM 3.5-Day Week Starting Out Slow and Flat

3:15 PM

Market Movement Recap

08:37 AM Flat overnight with mild selling at 8:20am. 10yr up 1.6bps at 4.383 and MBS down 3 ticks (.09).

12:30 PM 10yr up 1.4bps at 4.381 and MBS down 3 ticks (.09).

03:03 PM 10yr up half a bp at 4.373 and MBS down 1 tick (.03).

Lock / Float Considerations

- 6/29/26 - Bonds continue cutting a narrow range after successfully breaking below the 4.42% technical level (10yr yield). 4.366 has been the floor over the past few days. A breakout depends on the next few days of econ data as well as any shifts related to the start of a new quarter (which could see large investment funds rotate back into stocks and out of bonds). Because of that, Tuesday evening is slightly higher-risk than it otherwise would be on jobs report week. And of course, Wednesday evening is high-risk due to Thursday's jobs report.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
  - 4.59
  - 4.51
  - 4.42
- Floor/Resistance
  - 4.19
  - 4.28
  - 4.34
  - 4.36

MBS & Treasury Markets

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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	4.375%	+0.008%
2 YR	4.106%	+0.016%
30 YR	4.859%	-0.005%
5 YR	4.143%	+0.015%

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