

MBS & TREASURY MARKETS

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MBS Recap: Why We Saw Steady Selling All Day



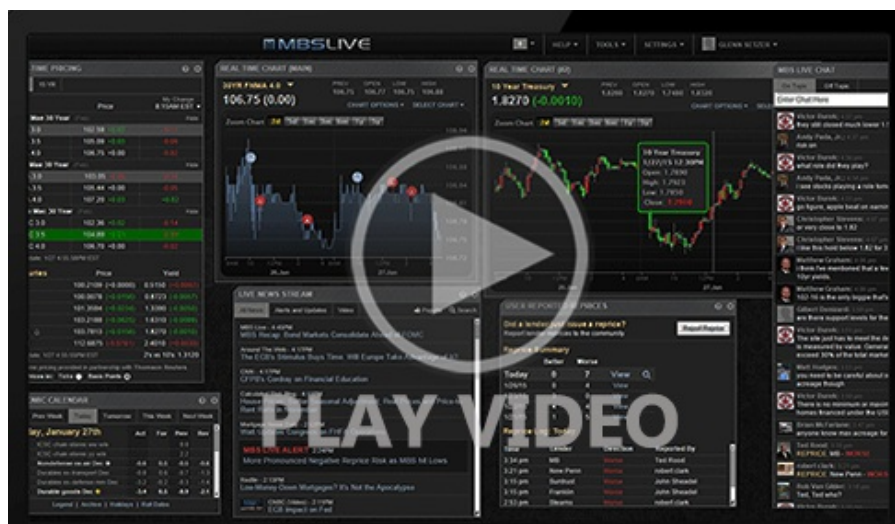
Matt Graham
Founder and CEO, MBS Live

MBSLIVE

Why We Saw Steady Selling All Day

MBS Recap | Matthew Graham | 3:58 PM

We expected volatility would pick up on Tuesday for one reason or another and it did not disappoint. Sadly, the direction of the movement was disappointing as bonds sold off steadily virtually all day. While there was a bit of selling after the job openings data at 10am ET, the bulk of the weakness is likely due to additional quarter-end position squaring and rebalancing (the same thing that helped bonds last Wednesday). This is mechanical, emotionless, non-reactive trading conducted simply to dial in certain levels of bond holdings to match investment portfolio benchmarks and/or stock/bond allocation percentages. Most of it has already come and gone for Q2, but it doesn't take much to move the needle amid thin summertime volumes. Just the way the ball bounced today...



MBS Morning

9:21 AM Data Ramps Up And Another Dash of Quarter-End Trading

Update

10:13 AM Slightly More Selling After Job Openings Data

Alert

1:17 PM New Lows, Modest Reprice Risk

2:48 PM

Alert

3:10 PM Negative Reprice Risk Increasing

Econ Data / Events

- ○ Case Shiller Home Prices-20 y/y (Apr)
 - 1.1% vs 0.9% f'cast, 0.8% prev
- CaseShiller 20 mm nsa (Apr)
 - 1.0% vs -- f'cast, 1% prev
- FHFA Home Price Index m/m (Apr)
 - -0.1% vs 0.2% f'cast, 0.1% prev
- FHFA Home Prices y/y (Apr)
 - 2.0% vs -- f'cast, 1.7% prev
- Chicago PMI
 - 56.7 vs 56.0 f'cast
- USA JOLTS Job Openings (May)
 - 7.594M vs 7.30M f'cast, 7.618M prev
- Consumer Confidence
 - 91.2 vs 94.7 f'cast, 93.1 prev

Market Movement Recap

08:48 AM Initially stronger overnight with moderate selling just before the open. MBS down 2 ticks (.06) and 10yr up 1.5bps at 4.391

10:16 AM

Weaker after JOLTS, but stabilizing now. MBS down an eighth and 10yr up 2.2bps at 4.397

01:47 PM

Weakest levels. MBS down 6 ticks (.19) and 10yr up 3.5bps at 4.41

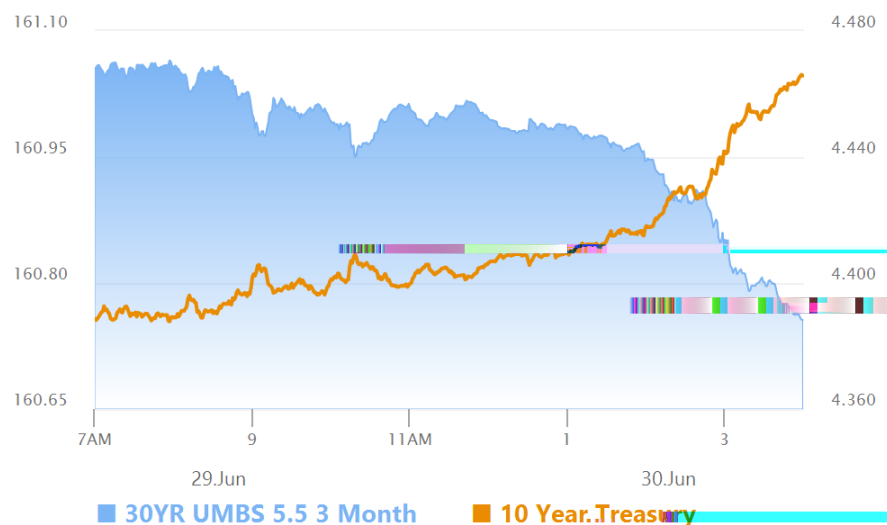
Lock / Float Considerations

- 6/30/26 - Tuesday made good on the promise of higher potential volatility and that theme remains through the end of the holiday-shortened week. The technical bounce over the past 3 sessions combined with higher risk calendar and lower holiday-week participation argue in favor of a more defensive stance until further notice.

Technical/Trends in 10yr (why 10yr)

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

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	4.437%	+0.062%
2 YR	4.150%	+0.043%
30 YR	4.924%	+0.059%
5 YR	4.202%	+0.059%

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