A message from Marc Erickson:

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MBS Recap: Some Bond-Specific Weakness in The Afternoon

Some Bond-Specific Weakness in The Afternoon

MBS Recap Matthew Graham | 3:49 PM

Oil and Treasury yields were almost perfectly correlated for almost the entire week. Friday afternoon was an exception. Oil continued sideways to slightly lower while yields rose a bit. Overall damage was negligible, but it was interesting nonetheless. While there was no clear news or event behind the move, we can plainly see that it originated in the shortest end of the curve and/or Fed rate expectations. Friday afternoon illiquidity likely made the move bigger than it otherwise would have been. As for potential reasons, it could be as simple as dealers positioning for next week's inflation reports and Warsh testimony.

Watch the Video

MBS Morning

10:05 AM Empty Calendar Leaves Focus on War Headlines

Alert

1:12 PM Down an Eighth From AM Plateau

2:45 PM

Econon Data / Events

- ○ Jobless Claims (Jul)/04
  - 215.0K vs 218K f'cast, 215K prev

Market Movement Recap

09:11 AM Unchanged MBS and 10yr down half a bp at 4.548

11:13 AM MBS down 2 ticks (.06) and 10yr unchanged at 4.553

02:19 PM MBS down 6 ticks (.19) and 10yr up 1.4bps at 4.568

03:35 PM Off the weakest levels. MBS down an eighth and 10yr up less than 1bp at 4.561

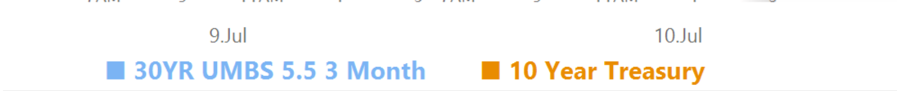
Lock / Float Considerations

- 7/10/26 - Limited rate sheet impact despite modest weakness in the bond market. Lenders who didn't reprice for the worse would have to account for that weakness on Monday morning assuming no change in bonds over the weekend. Thus, there's slight asymmetric risk in favor of locking with those lenders. The risk-tolerant crowd would continue to defend their stance with the 10yr continuing to trade under 4.59.

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



MBS

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

US Treasuries

10 YR	4.563%	+0.009%
2 YR	4.206%	+0.025%
30 YR	5.064%	-0.001%
5 YR	4.305%	+0.029%

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