MBS Recap: Ultimately Uneventful Despite Modest Weakness

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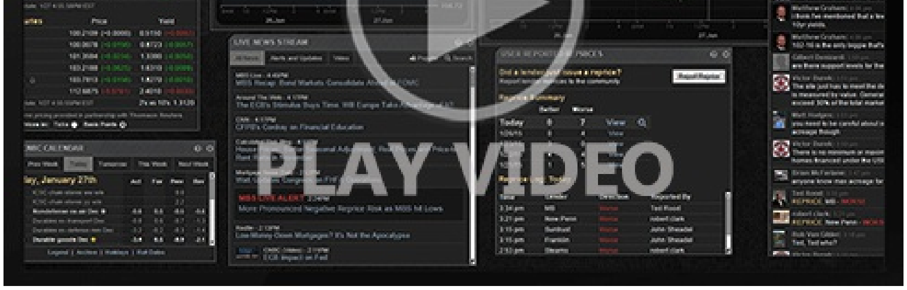
Ultimately Uneventful Despite Modest Weakness

MBS Recap Matthew Graham | 4:45 PM

Bonds lost ground modestly today with the ultimate damage being roughly an eighth of a point for MBS and less than a bp for 10yr yields. The selling was led by the short end of the curve (i.e. 2yr yields were up 1.5bps). There wasn't any obvious catalyst apart from an ongoing surge in fuel prices. Perhaps most notably, fuel futures peaked at the same time as bond yields and both declined together after that. We're also not bothered by the short end leading the selling considering how resoundingly it led the rally over the past 2 days. Bottom line: this feels like incidental consolidation after a solid 2-day rally and not something that's indicative of new momentum.



Watch the Video

MBS Morning

11:26 AM Are Bonds High on Crack (Spreads)?

3:37 PM

Econ Data / Events

- Jobless Claims (Jul)/11
  - 208K vs 217K f'cast, 215K prev
- Philly Fed Business Index (Jul)
  - 41.4 vs 13 f'cast, 10.3 prev
- Philly Fed Prices Paid (Jul)
  - 53.90 vs -- f'cast, 53.20 prev
- Retail Sales (Jun)
  - 0.2% vs 0.2% f'cast, 0.9% prev
- Retail Sales Control Group MoM (Jun)
  - 0.5% vs 0.5% f'cast, 0.7% prev

Market Movement Recap

08:31 AM weaker overnight and no reaction to econ data. MBS down more than an eighth and 10yr up 3.5bps at 4.586

11:37 AM Strongest levels. MBS down only an eight and 10yr up 2.2bps at 4.572

02:00 PM MBS down 3 ticks (.09) and 10yr up 1.6bps at 4.566

Lock / Float Considerations

Lock / Float Considerations

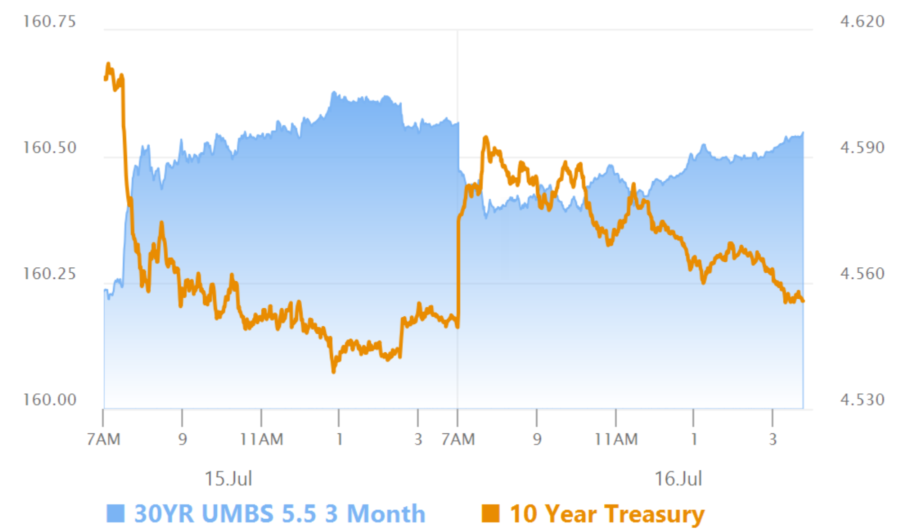
- 7/16/26 - Consolidation in bonds and mixed signals in technicals (still above 4.54% but supportive bounce at 4.59%) makes for a fairly neutral risk/reward outlook.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
  - 4.69
  - 4.62

- Floor/Resistance
  - 4.28
  - 4.34
  - 4.36
  - 4.42
  - 4.54

MBS & Treasury Markets



MBS

30YR UMBS 5.5		
30YR UMBS 6.0		
30YR GNMA 5.5		
15YR UMBS-15 5.0		

US Treasuries

10 YR	4.555%	+0.005%
2 YR	4.143%	+0.008%
30 YR	5.085%	+0.005%

5 YR	4.269%	+0.008%

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