MBS Recap: Bonds Not Keen To Catch Falling Knives

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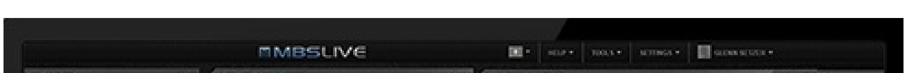
Bonds Not Keen To Catch Falling Knives

MBS Recap Matthew Graham | 4:55 PM

Oil lurched higher again overnight which kept generalized pressure on the bond market and the Fed rate outlook. The nearness to long-term highs had traders feeling very reluctant to step in and "buy the dip" in bond prices. This is the kind of move you'd rather see play out in full before reloading TSY longs. Complicating factors included earnings season (and the prospect for corporate issuance detracting from TSY/MBS demand), pre-ECB defensiveness, and MBS-specific underperformance. The latter could simply be the result of a line in the sand being crossed in Treasuries and a repricing of extension risk among MBS heavyweights. Last but not least, the 7:30am-8:00am time frame may well have involved large asset managers dumping both sides of the stock/bond continuum. That movement didn't line up well with any other convenient explanations. The net effect was the highest bond yields in over a year, and the same story for mortgage rates. There will be a supportive bounce eventually, but everyone's waiting for someone else to bet their wallet on it.



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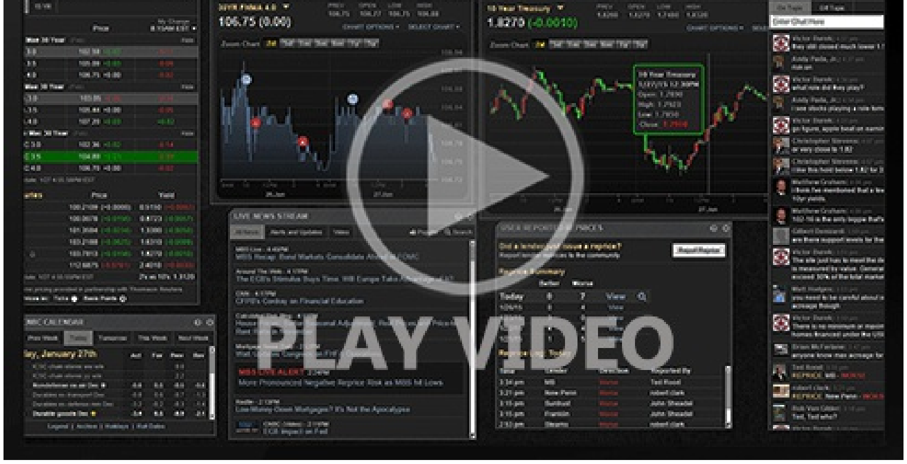

Watch the Video

MBS Morning

9:23 AM Bearish Breakout For All The Normal Reasons

1:57 PM

Econon Data / Events

- Continued Claims (Jul)/11
  - 1796K vs -- f'cast, 1805K prev
- Jobless Claims (Jul)/18
  - 187K vs 212K f'cast, 208K prev

Market Movement Recap

10:33 AM Sharply weaker overnight and holding sideways. MBS down 10 ticks (.31) and 10yr up 4.2bps at 4.706

12:46 PM MBS down 9 ticks (.28) and 10yr up 3.1bps at 4.694

03:42 PM MBS Down 10 ticks (.31) and 10yr up 3.6bps at 4.7

Lock / Float Considerations

- 7/23/26 - Momentum remains broadly negative in the bigger picture. Risk-averse clients continue waiting for that to change before shifting out of a lock-biased stance. Risk-tolerant have run out

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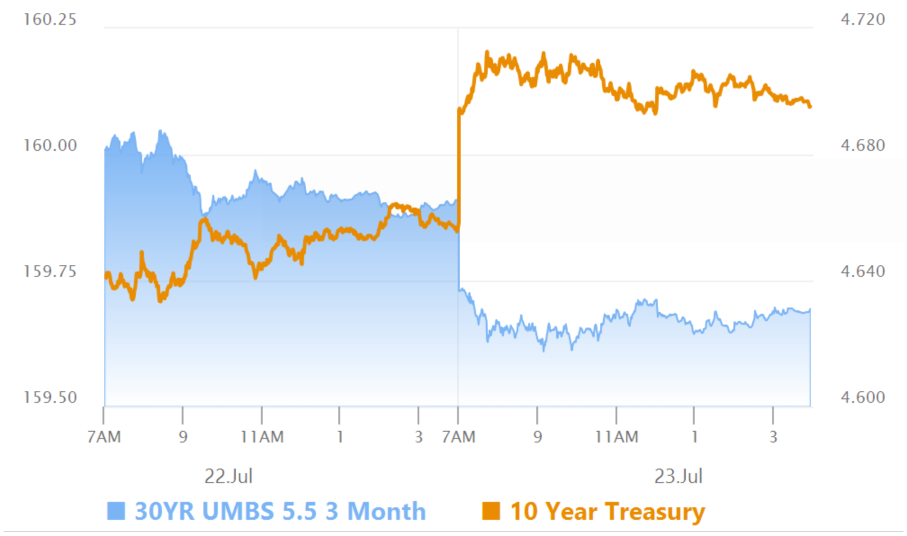
overhead lock triggers as yields break new long-term highs, though some bond strategists would say this makes a near-term bounce more likely. Either way, any major event-driven bounce would create short term opportunities.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
  - 4.80
  - 4.71

- Floor/Resistance
  - 4.42
  - 4.54
  - 4.62

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	4.695%	+0.032%
2 YR	4.347%	+0.055%
30 YR	5.162%	+0.011%
5 YR	4.454%	+0.045%

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