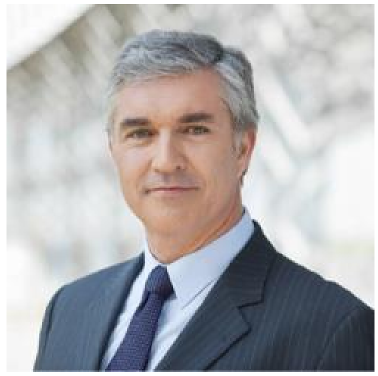
MBS Recap: AM Rally Ultimately Sticks With Help From Oil



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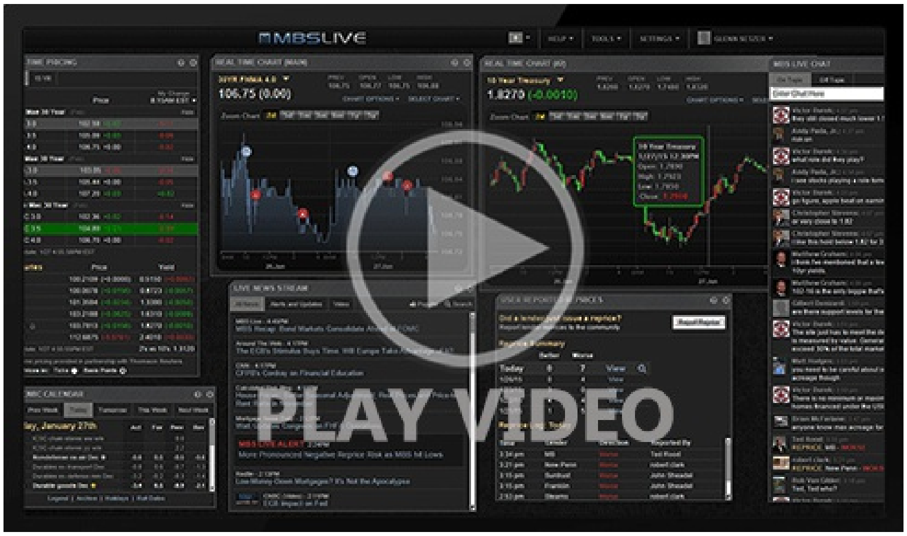
REAL ESTATE

AM Rally Ultimately Sticks With Help From Oil

MBS Recap Matthew Graham | 4:16 PM

To be clear, most of today's rally is attributable to the news on the Treasury buyback program discussed in the morning commentary. Today's consumer rate commentary also has a useful set of bullet points to recap the changes. Ultimately, the buyback news simply meant that the shortest-term debt suffered at the expense of longer-term debt. To put this in perspective, consider that 30yr yields are almost 10bps lower than they were at the open whereas 2yr yields are actually a few bps higher. If today's news was truly akin to QE or any sort of accommodation goal, we would not be seeing such trade-offs in the yield curve. Last but not least, oil prices made a round trip today from the lows of the day this morning at 8:35am to highs at 1pm and back down near the lows by the close. That ebb and flow coincided with intraday bond market volatility almost perfectly.



Watch the Video

MBS Morning

10:21 AM Bonds Rally After Treasury Buyback Announcement (NOT QE)

Alert

1:17 PM MBS Down More Than an Eighth From Highs

3:58 PM

Market Movement Recap

09:29 AM sharp gains after TSY buyback announcement. 10yr down 6.2bps at 4.643 and MBS up a quarter point.

point.

11:59 AM	Off the best levels. MBS up 6 ticks (.19) and 10yr down 5.4bps at 4.652
01:18 PM	MBS up 3 ticks (.09) and 10yr down 2.9bps at 4.677
03:55 PM	Back at stronger levels. MBS up 9 ticks (.28) and 10yr down 6.2bps at 4.644

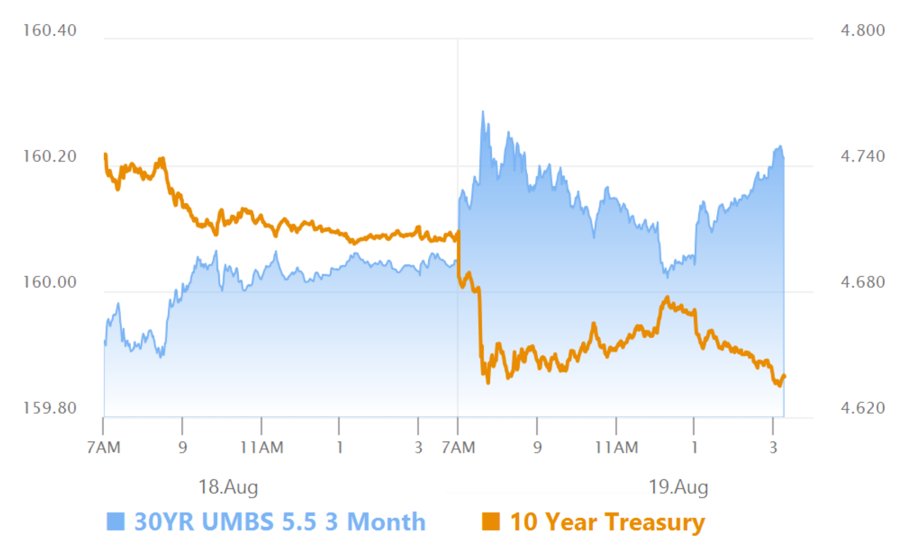
Lock / Float Considerations

- 8/19/26 -The Treasury buyback update doesn't materially change lock/float considerations even though it provided an unexpected boost today. Fuel price volatility remains a constant risk/opportunity--especially with econ data being very light this week.

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

US Treasuries		
10 YR	4.639%	-0.067%
2 YR	4.167%	+0.002%
30 YR	5.184%	-0.098%
5 YR	4.339%	-0.019%

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