MBS Recap: Tune Out The Noise (Part 2)

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Tune Out The Noise (Part 2)

MBS Recap Matthew Graham | 4:56 PM

Last week, when Treasury announced higher per-operation limits for the buyback program, we advised tuning out the noise. Specifically, this meant that the announcement was not ever destined to be a material market mover or provide lasting relief for rates despite ample media coverage and the appearance of significance. It's more of the same to start the new week. Treasury sources threw out big numbers in reference to buyback operations by citing the Treasury General Account balance (basically, the government's checking account). Markets didn't care and neither should you. A big ramp in buybacks implies an equally big ramp in Treasury issuance. Buybacks can only influence the yield curve and not overall rate levels. Moreover, MBS run with the middle of the curve which might not see any benefit at all from excess buybacks in the 10-30yr space. Bonds rallied today due to lower fuel prices. The end.

Watch the Video

MBS Morning

11:13 AM Slightly Stronger Start Mostly Due to Oil. Treasury News Fails to Inspire (Again)

4:36 PM

Market Movement Recap

08:59 AM Modestly stronger overnight. MBS up 2 ticks (.06) and 10yr down 1.9bps at 4.713

02:02 PM MBS up 5 ticks (.16) and 10yr down 3.6bps at 4.697

04:32 PM MBS up 5 ticks (.16) and 10yr down 2.9bps at 4.703

Lock / Float Considerations

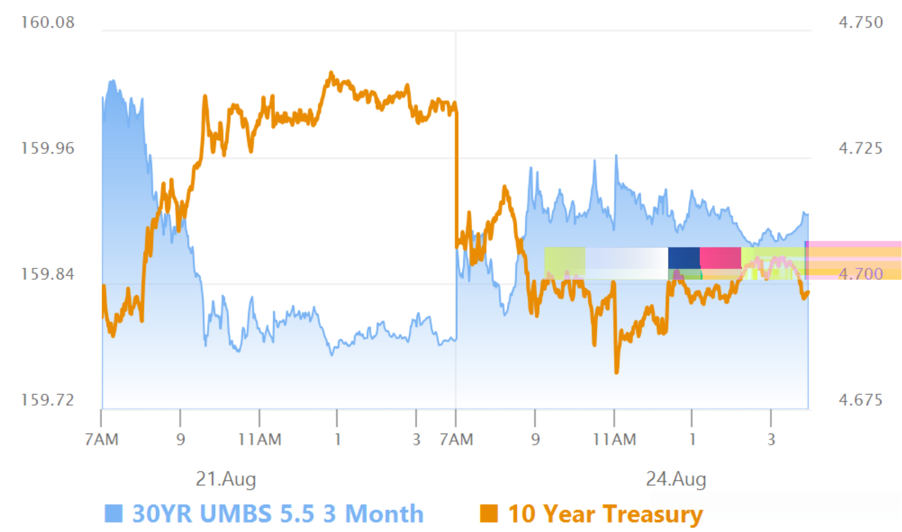
- 8/24/26 - (unchanged) Lock/float risk remains higher than normal as long as each new day brings another coin flip on the fate of the war and fuel prices. In addition, corporate bond issuance is keeping broad pressure on yields. We'd like to see a clear show of support and a confirmed downtrend before reconsidering a defensive stance. As always, there will be short-term pockets of opportunity, but we're more focused on a sustainable shift in momentum (which has yet to show up).

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	4.698%	-0.034%
2 YR	4.234%	+0.002%
30 YR	5.226%	-0.046%
5 YR	4.404%	-0.020%

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