A message from Marc Erickson:

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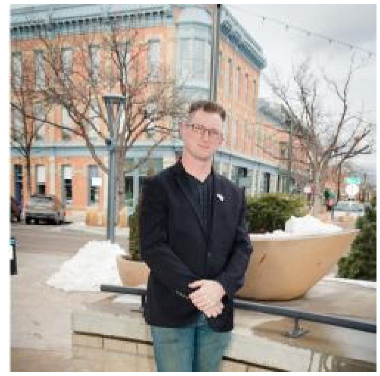
MBS Recap: Bonds to Bessent: Challenge Accepted



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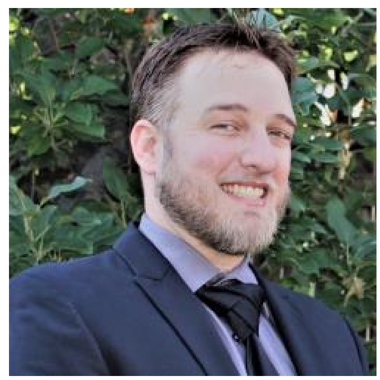

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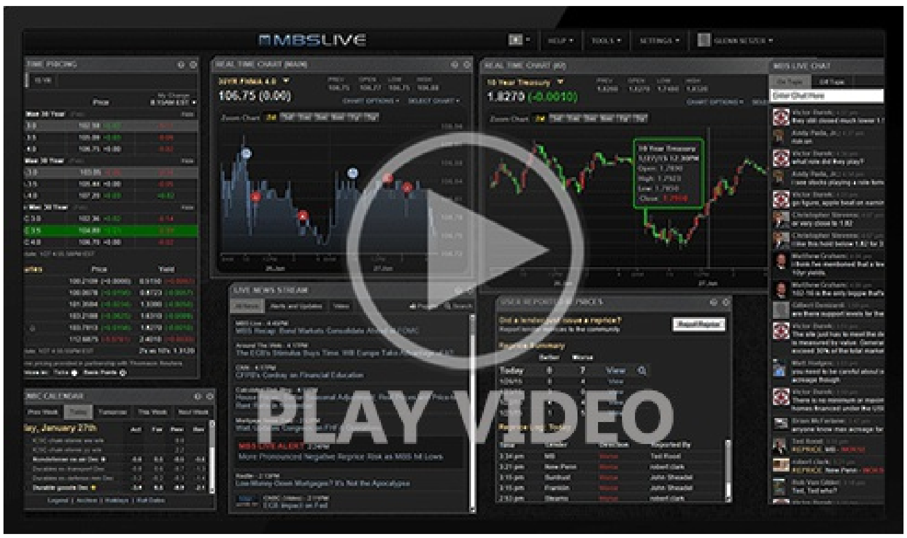
Bonds to Bessent: Challenge Accepted

MBS Recap Matthew Graham | 3:51 PM

When the Yellen Treasury rolled out the buyback program in 2023/2024, they were careful to refer to it as strictly focused on liquidity and cash management. If they were secretly interested in influencing the yield curve, we'd never know. Contrast that to Bessent who specifically told reporters that long term rates were too high and that there was a "signaling component" to the recent decision to increase buybacks. Rhetoric ramped up further this morning when he said "I am the house now," and "you can bet against me if you want." The bond market's responded with a hearty "challenge accepted." Treasury announced a $6bln long-end buyback, which was apparently not quite the bazooka that traders were positioned for. Bonds tanked immediately with 10yr yields hitting new long-term highs just under 4.86% before settling near 4.83%. Despite the apparent drama, this is a small deal in the big picture--especially in light of today's sharply higher oil prices which likely already would have been pushing yields higher if traders weren't waiting on the buyback announcement.



Watch the Video

MBS Morning

10:30 AM Are Bonds Fighting Oil Implications Thanks to Buyback Hopes?

Alert

11:08 AM Weakest Levels After Treasury Announcement

Alert

11:19 AM One More For Emphasis: Reprices Are Now Highly Likely

3:24 PM

Market Movement Recap

09:41 AM MBS down 3 ticks (.09) and 10yr up 1.5bps at 4.805

11:24 AM MBS down almost 3/8ths and 10yr up 6.5bps at 4.854

02:40 PM MBS down a quarter point and 10yr up 4.2bps at 4.832

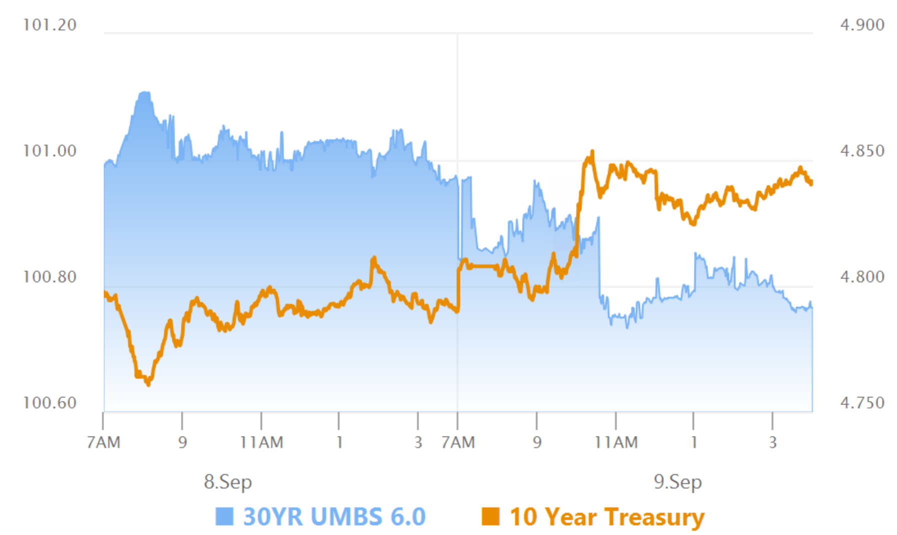
Lock / Float Considerations

- 9/9/26 - Bonds can't seem to catch a break. A defensive strategy continues to make the most sense until something definitively changes (i.e. a clear shift in in prevailing negative momentum). Thu/Fri inflation data definitely presents an opportunity, but it's a double-edged sword.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
  - 4.93
- Floor/Resistance
  - 4.42
  - 4.54
  - 4.62
  - 4.71
  - 4.80
  - 4.83

MBS & Treasury Markets



MBS

MBS

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

US Treasuries

10 YR	4.839%	+0.048%
2 YR	4.425%	+0.030%
30 YR	5.289%	+0.044%
5 YR	4.615%	+0.051%

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