MBS Recap: Ugly Snowball Selling Thanks to Oil and Inflation Data

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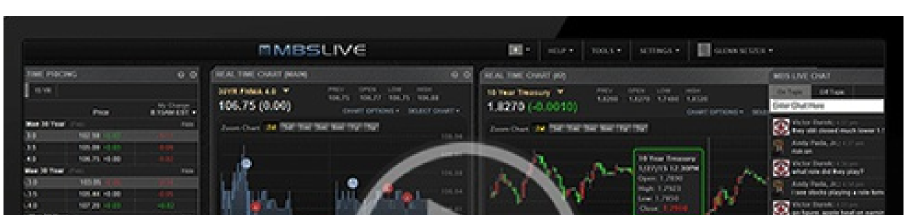
Ugly Snowball Selling Thanks to Oil and Inflation Data

MBS Recap Matthew Graham | 4:36 PM

MBS lost nearly a full point by 4pm ET and 10yr yields were up 11.4bps at 4.95%. This is the highest since October 2023 when 10s briefly hit 5.006%. At one point in the overnight session, yields were slightly LOWER on the day. Things changed in waves. First wave: oil prices surged overnight and had already broken $100 but the time PPI came out. Second wave: PPI was roughly in line with forecasts, but internal components suggested a 0.1 increase to core PCE inflation. The reaction was the sharpest of the day for bonds. Third wave: late day illiquid redistribution after 30yr bond auction (although this could also be incidental drift ahead of Friday's CPI data). If we could only focus on 2 things, it would be the acceleration in the fuel price trend and the unfriendly PCE implications in today's PPI data.



Watch the Video

MBS Morning

9:18 AM Sharply Weaker Again. Half Oil. Half PPI

Alert

1:35 PM Heads-Up: Down More Than an Eighth From AM Highs

3:06 PM

Alert

3:30 PM Negative Reprice Risk Increasing

Econ Data / Events

- Core PPI m/m (Aug)
  - 0.2% vs 0.3% f'cast, 0.2% prev
- Core PPI y/y (Aug)
  - 4.6% vs 4.6% f'cast, 4.2% prev
- Jobless Claims (Sep)/05
  - 206K vs 205K f'cast, 206K prev
- PPI m/m (Aug)
  - 0.4% vs 0.4% f'cast, 0% prev
- PPI y/y (Aug)
  - 5.4% vs 5.3% f'cast, 4.7% prev

Market Movement Recap

09:39 AM Much weaker on a combo of oil and PPI reaction. MBS down 5/8ths and 10yr up 8bps at 4.92

01:09 PM MBS down 22 ticks (.69) and 10yr up 8bps at 4.92

03:39 PM MBS down just over 7/8ths of a point and 10yr up 11.6bps at 4.957

Lock / Float Considerations

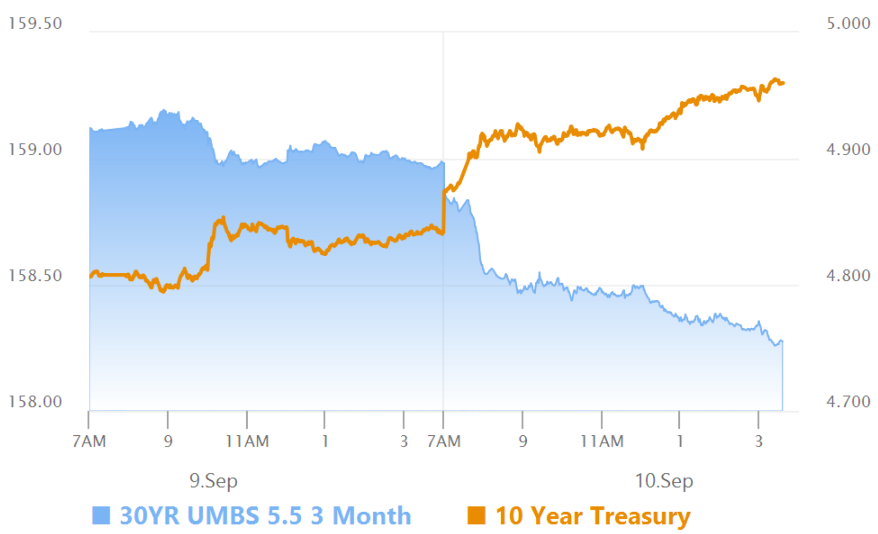
- 9/10/26 - As always, a highly defensive strategy is the only strategy when bonds are in snowball selling mode. Of course, heavy selling introduces the possibility of a big individual bounce at some point, but it's not something that can be reliably timed/predicted and there's never a guarantee that such bounces are lasting turning points.

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

30YR UMBS 5.5

30YR UMBS 6.0

30YR GNMA 5.5

15YR UMBS-15 5.0

US Treasuries

10 YR	4.960%	+0.121%
2 YR	4.582%	+0.145%
30 YR	5.366%	+0.075%
5 YR	4.759%	+0.141%

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