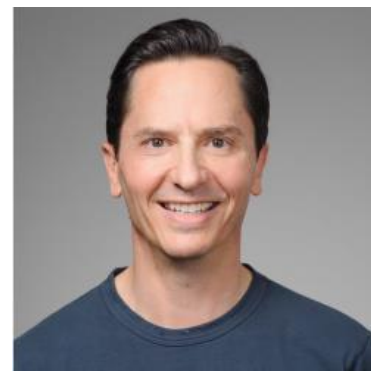


MBS & TREASURY MARKETS

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MBS Recap: AM Rally Completely Erased By The Close



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<https://thebasispoint.com/>

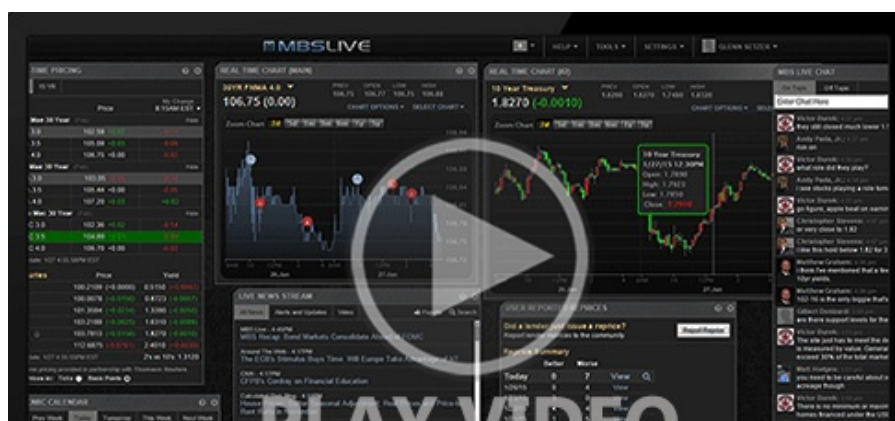
San Francisco CA



AM Rally Completely Erased By The Close

MBS Recap | Matthew Graham | 5:29 PM

This morning's paradoxical rally lasted 30 whole minutes. Bonds turned around at exactly 9am and proceeded to completely erase the AM gains. There were no compelling macro motivations for the reversal apart from a modest rise in oil prices. While oil price lows and highs perfectly matched bond yields in terms of timing, the bond selling was disproportionately larger. This is highly suggestive of **short covering** being a component of the morning rally. In other words, traders who had open bets on higher rates simply closed those **positions** quickly this morning. From that point on, the market was free to trade as it pleased. 2yr/10yr spreads remained mostly flat which suggests broad selling across the curve and no change in the paradoxical sentiment component of the AM rally. Bottom line: there were two rally motivations this morning, and one of them left the bond market open to correction.





3:40 PM

Lock / Float Considerations

- 9/11/26 - Today was a good reminder of the power of prevailing momentum. Even when it looked like we were winning, we were still losing. 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")
 - o 5.00
- Floor/Resistance
 - o 4.54
 - o 4.62
 - o 4.71
 - o 4.80
 - o 4.83
 - o 4.93

MBS & Treasury Markets



MBS

30YR UMBS 5.5

30YR UMBS 6.0

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

US Treasuries

10 YR	4.970%	+0.005%
2 YR	4.619%	+0.040%
30 YR	5.355%	-0.010%
5 YR	4.784%	+0.027%

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