

MBS & TREASURY MARKETS

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MBS Recap: Even More Confirmation Throughout The Day



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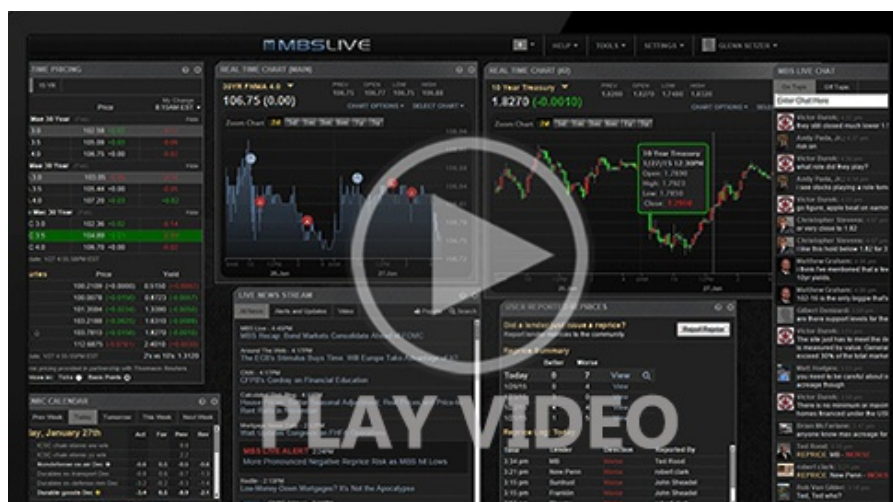
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Even More Confirmation Throughout The Day

MBS Recap | Matthew Graham | 6:38 PM

It was heartening to see bonds erase yesterday's losses by the time domestic trading got underway today. Unmitigated victory would have required flat/higher oil prices. Instead, we were forced to wonder how much credit to give lower oil prices versus the expectation that longer-term rates would paradoxically appreciate a more hawkish Fed stance. This uncertainty increasingly vanished throughout the day. Oil prices steadily rose more than \$3 between 8:30am and 1pm, but bonds were sideways to stronger the entire time. There's still some caution suggested by a technical floor at 4.94%, but yields are now flirting with a break below that level in after-hours trading (even as oil prices remain more than \$2 higher than this morning). We're not out of the woods yet, but today looks to have been a step in the right direction. All this having been said, rates aren't immune from future spikes if econ data, issuance, or fuel prices surprise to the upside.



MBS Morning

10:00 AM Stars Aligning, Oil Falling, Or Some of Both?

3:03 PM

Econ Data / Events

- ○ Building Permits (Aug)
 - 1.394M vs 1.41M f'cast, 1.433M prev
- Continued Claims (Sep)/05
 - 1730.0K vs 1780K f'cast, 1774K prev
- Housing starts number mm (Aug)
 - 1.275M vs 1.31M f'cast, 1.239M prev
- Jobless Claims (Sep)/12
 - 196K vs 208K f'cast, 206K prev
- Philly Fed Business Index (Sep)
 - 37.8 vs 30.5 f'cast, 47.4 prev
- Philly Fed Prices Paid (Sep)
 - 48.60 vs -- f'cast, 40.90 prev

Market Movement Recap

- 12:21 PM MBS up almost half a point and 10yr down 7.7bps at 4.942
- 01:56 PM MBS up half a point and 10yr down 7.2bps at 4.946
- 03:20 PM Best levels of the day. MBS up 18 ticks (.56) and 10yr down 8.5bps at 4.934

Lock / Float Considerations

- 9/17/26 - While Thursday didn't necessarily deliver strong enough momentum toward lower rates to mark a bigger picture trend reversal, it was more than enough to vet the Fed week thesis that a rate hike didn't need to spell doom for mortgage rates. From here, 4.94% has emerged as an important

resistance level to break in terms of 10yr yields. Moving below would allow for an incremental notch of optimism for the risk averse crowd. The risk-tolerant crowd may have already seen enough of a bounce today, but we'd feel more confident about that if it had occurred amid flat/higher oil prices.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
 - o 5.14
- Floor/Resistance
 - o 4.62
 - o 4.71
 - o 4.80
 - o 4.83
 - o 4.93
 - o 5.00

MBS & Treasury Markets



MBS

30YR UMBS 6.0	+
30YR UMBS 6.5	+
30YR GNMA 6.0	+
15YR UMBS-15 5.0	+

US Treasuries

10 YR	4.931%	-0.087%
2 YR	4.664%	-0.072%
30 YR	5.289%	-0.074%
5 YR	4.782%	-0.098%

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