MBS Recap: Why Bonds Sold Off So Severely Today

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Why Bonds Sold Off So Severely Today

MBS Recap Matthew Graham | 4:29 PM

The only number higher than the amount of bonds sold today is the number of people rushing to judgment about "WHY." It wasn't a diesel export ban (or lack thereof), higher oil prices, or the 5yr Treasury auction (see today's recap video if need proof).

The initial pop at 9:45am was entirely driven by S&P PMI data. A majority of the selling since then has occurred in stunningly linear fashion without any "event risk" volume spikes. It has also largely tracked with stock losses. This is exactly what it looks like when a big outlier in econ data hits a nervous market that's on the edge of its seat waiting for data to speak to a recent shake up in the Fed rate hike outlook. To be clear, we're not saying 10yr yields are 15bps higher because of an S&P PMI report. Rather, it was a catalyst for a technical breakout and repricing of risks surrounding next week's more important economic data. Bottom line, if today's PMI saying anything about next week's PMIs (and jobs report), it's safer to sell now and cover later if today's data proves to have been a false alarm.

Watch the Video

Alert

9:50 AM Losing Ground After Data and Headlines

MBS Morning

10:27 AM Sharply Weaker on Oil and Econ Data

Alert

11:06 AM MBS Now Down Over Half a Point

3:34 PM

Econ Data / Events

- - S&P Global Composite PMI (Sep)
    - 58.4 vs -- f'cast, 56 prev
  - S&P Global Manuf. PMI (Sep)
    - 57 vs 53.6 f'cast, 53.9 prev
  - S&P Global Services PMI (Sep)
    - 58.7 vs 56 f'cast, 56.5 prev

Market Movement Recap

08:56 AM MBS down an eighth and 10yr up 2.2bps at 4.988

10:28 AM MBS down nearly half a point and 10yr up 9.1bps at 5.056

02:06 PM MBS down 7/8ths and 10yr up 16bps at 5.122%

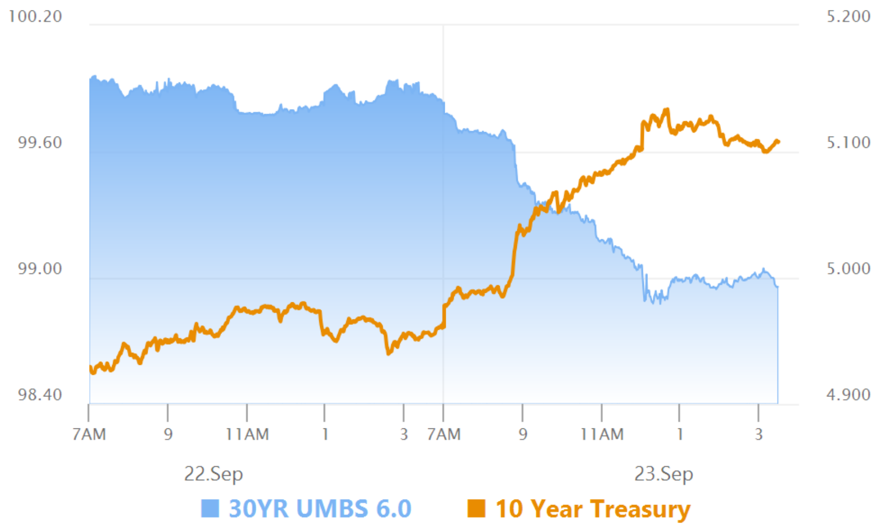
Lock / Float Considerations

- 9/23/26 - Clear technical break above 5.01% and a clear sign of nerves in play ahead of next week's econ data. At some point, the market will conclude that there's been enough selling that bonds make sense to buy purely for ROI, but there's no telling if that's tomorrow or months from now. Either way, the default stance hasn't changed since the beginning of July: we continue waiting for a definitive shift/rally before it makes sense to be anything other than conservative in terms of lock/float decisions.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
  - 5.14
- Floor/Resistance
  - 4.62
  - 4.71
  - 4.80
  - 4.83
  - 4.93
  - 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	5.108%	+0.143%
2 YR	4.897%	+0.155%
30 YR	5.395%	+0.094%
5 YR	5.004%	+0.160%

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