MBS & TREASURY MARKETS
Daily Coverage. Industry Leading Perspective.

MBS Recap: Respectable Recovery. Is It a Trap?

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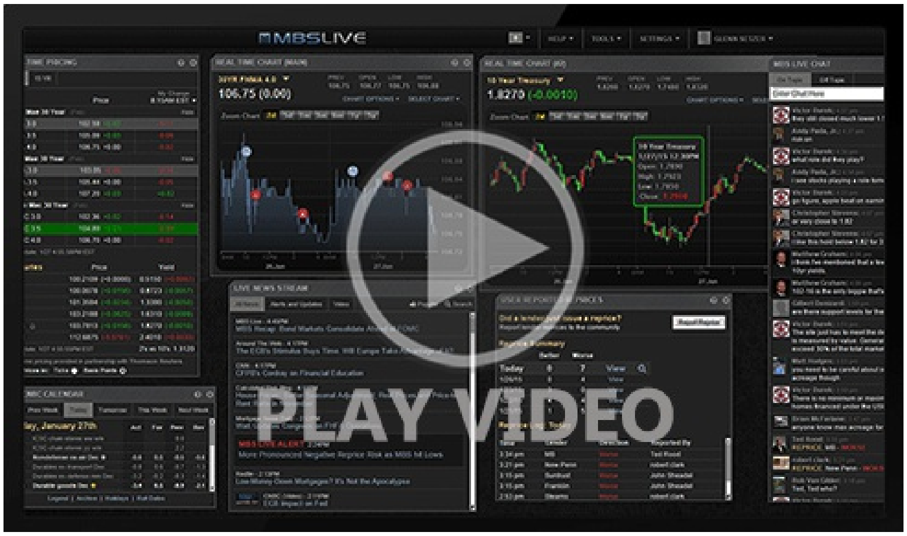
Respectable Recovery. Is It a Trap?

MBS Recap Matthew Graham | 5:19 PM

First thing's first: the parabolic flourish of bond selling of the past 2 weeks is arguably unprecedented in recent memory. Specifically, we've seen similar levels of overall weakness over similar time frames, but we haven't seen the same sort of concentrated acceleration of selling at the tail end of a months-long selling trend. The only remotely comparable precedent was late September 2023 when a Fed dot plot surprised the market with a higher rate outlook followed by 2 weeks of stronger-than-expected econ data. There was a decent recovery on several occasions on the way up, but a sustainable recovery didn't start until early November. Throughout that process, it was data that set the tone. With that in mind, we're heading into a week with big-ticket data and we expect bonds to take cues accordingly. Of course oil and war headlines continue to matter as well. While today's recovery was "nice," it doesn't make any guarantees about where we'll end up next week. That said, it very well could indicate that bonds have sold as much as they need to sell unless next week's data/events add additional provocation.



Watch the Video

Alert

10:34 AM Yes, a Reprice Alert Already (Sorry)

MBS Morning

11:00 AM More Mid-Morning Selling, But MBS Outperforming

Update

12:05 PM Bonds Snap Back to Strongest Levels on War Headlines

2:53 PM

Econ Data / Events

- - Core CapEx (Aug)
    - 1.6% vs 0.5% f'cast, 0.2% prev
  - Durable goods (Aug)
    - 0% vs -0.4% f'cast, 1.1% prev
  - Consumer Sentiment (Sep)
    - 48.1 vs 47.6 f'cast, 51.7 prev
  - Sentiment: 1y Inflation (Sep)
    - 4.6% vs 4.6% f'cast, 4% prev
  - Sentiment: 5y Inflation (Sep)
    - 3.4% vs 3.4% f'cast, 3.3% prev
  - U Mich conditions (Sep)
    - 50.9 vs 49.5 f'cast, 51.9 prev

- 50.9 vs 49.5 f'cast, 51.9 prev

Market Movement Recap

08:54 AM MBS up nearly a quarter point and 10yr down 1.9bps at 5.182

12:06 PM Rallying on war headlines. 10yr down 3.1bps at 5.169. MBS up 11 ticks (.34).

03:20 PM Best levels. MBS up more than 5/8ths and 10yr down 3.7bps at 5.164

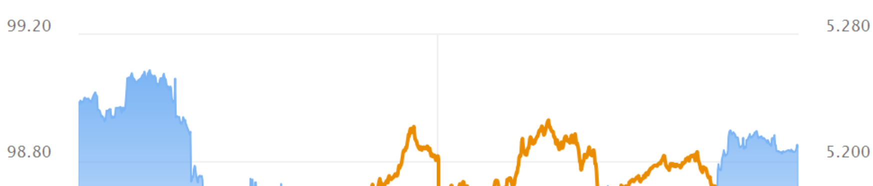
Lock / Float Considerations

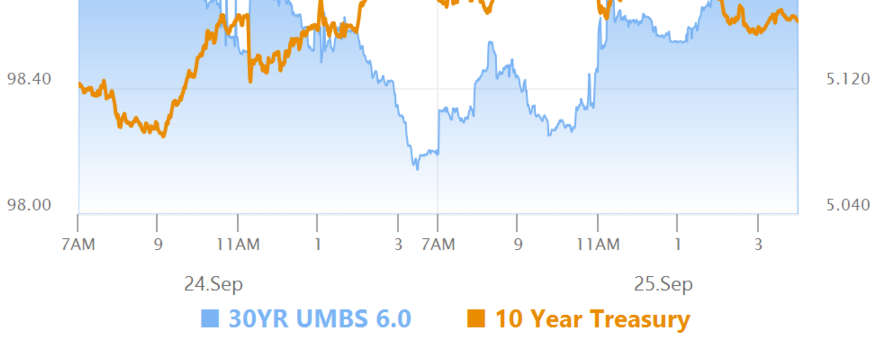
- 9/25/26 - Tough to draw too many conclusions from today's action. Decent bond rally--especially for MBS--but is it as simple as a token correction after a relentless 2-week selling spree? It's still too early to declare we're out of the woods, but not too early to ask if we're seeing the earliest evidence of being out of the woods. We continue to recommend waiting until the market shows a stronger desire to rally (without said rally being a response to heavy selling) before adjusting your lock/float game plan. That said, there is certainly high risk/reward in the days ahead based on the blown out rate sheets and trading levels in the event of even a moderate recovery.

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	5.160%	-0.041%
2 YR	4.849%	-0.077%
30 YR	5.490%	+0.012%
5 YR	4.992%	-0.061%

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