MBS Recap: Just Another Bad Day For Bonds Without New Justification

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Just Another Bad Day For Bonds Without New Justification

MBS Recap Matthew Graham | 4:59 PM

10yr yields hit another long-term high today, breaking above 5.30% briefly before settling just under 5.29%. There was a flash of hope after the 8:30am econ data, but that reversed fairly quickly. Reasons can be debated. Some would say today's broadly stronger econ data supported it while pointing out that the "beat" in PCE wasn't really news in light of the methodology changes. On that note, some might say methodology that drops core PCE by 0.361 (July vs July unrounded) means that Fed policy will be less aggressive in fighting inflation than it otherwise would have been. In that context, today's heavy underperformance in the long end of the curve actually makes good sense, but it's just an interesting theory to entertain. Month/Quarter-end compulsory trading could certainly be an ingredient, but there's no great way to confirm that until several days in the future. Either way, inbound econ data certainly matters on Thu/Fri and the radar perpetually awaits any big blips shaped like Iran war truces (or escalations).

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Watch the Video

MBS Morning

9:34 AM Lower PCE Inflation, So Why Aren't Bonds Happier?

Alert

10:32 AM MBS Already Down a Quarter Point vs 9:30am ET

Alert

12:31 PM Additional Negative Reprice Risk

4:27 PM

Econ Data / Events

- ADP jobs (Sep)
  - 90K vs 70K f'cast, 38K prev
- **Core PCE (m/m) (Aug)**
  - **0.2% vs 0.3% f'cast, 0.2% prev**
- **Core PCE (y/y) (Aug)**
  - **3.0% vs 3.3% f'cast, 3.3% prev**
- Core PCE Prices QoQQ2
  - 3.30% vs 3.6% f'cast, 4.4% prev
- Corporate profitsQ2
  - 7.7% vs 8.2% f'cast, 0.5% prev
- GDPQ2
  - 2.2% vs 1.5% f'cast, 2.1% prev

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    - 2.2% vs 1.5% f'cast, 2.1% prev

- GDP Final SalesQ2
    - 2.8% vs 2.2% f'cast, 1.9% prev

- PCE (y/y) (Aug)
    - 3.4% vs 3.7% f'cast, 3.7% prev

- PCE prices (m/m) (Aug)
    - 0.3% vs 0.4% f'cast, 0.2% prev

Market Movement Recap

10:36 AM MBS down 2 ticks (.06) on the day and a quarter point from highs. 10yr up 2.4bps at 5.269

02:19 PM MBS down a quarter point and 10yr up 5.4bps at 5.299

Lock / Float Considerations

- 9/30/26 - (unchanged from Monday) 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, if econ data comes in weak, and bonds recover, there could be a fairly substantial reaction in mortgage rates. As always, the issue is that the data could also come in stronger and only add to the recent upward momentum.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
    - 5.41
    - 5.34

- Floor/Resistance
    - 4.83
    - 4.93
    - 5.00
    - 5.14
    - 5.29

MBS & Treasury Markets

98.80 5.340

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

US Treasuries		
10 YR	5.287%	+0.042%
2 YR	4.889%	+0.015%
30 YR	5.631%	+0.062%
5 YR	5.087%	+0.037%

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