MBS Recap: Today Was "Nice" For Bonds

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Today Was "Nice" For Bonds

MBS Recap Matthew Graham | 4:01 PM

Bonds bucked their prevailing trend and managed to move slightly lower in yield today. Unlike yesterday's session which had no clear correlation with underlying events, today's move traced a drop in oil prices fairly clearly. Some analysts thought that an improvement in French government bonds may have been mildly encouraging as well, but that would require drawing the opposite conclusions from last week's narrative about French bond turmoil benefiting the U.S. as a safer haven. In any event, the rally was too small to merit that much thought. Yields encountered resistance at 5.26%, but could also be broadly finding buying support when yields crest 5.3%. Bottom line, today was "nice," but in and of itself, not enough to suggest a meaningful shift in momentum.

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MBS Morning

10:00 AM Overnight Adaptive Cruise, Following Oil

3:52 PM

Market Movement Recap

02:57 PM Near best levels. MBS up over a quarter point and 10yr down 3.8bps at 5.269

Lock / Float Considerations

- 10/6/26 - Here's another one of those modest rally days we periodically see during the course of the broader selling. While we expect that yields will find a ceiling they like at some point and mount a decent counterattack, days like today should be viewed as the exception until we can confirm a reversal.

- Ongoing contributions to high/rising rates in no particular order:
  - War's implied impact on inflation and Treasury issuance
  - Elevated Treasury issuance (fiscal imbalances)
  - Elevated corporate bond issuance (competes for investor demand)
  - Resilient stocks (competes for investor demand)
  - Generally/gradually lower foreign demand (partly driven by tariffs and weaker trade relationships)
  - Genuine strength/resilience in economic data
  - A Federal Reserve that is willing to use the Fed Funds Rate to fight inflation (not the perfect tool, but it's the tool they have)

Technicals/Trends in 10yr (why 10yr)

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

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

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	5.284%	-0.023%
2 YR	4.799%	-0.015%
30 YR	5.656%	-0.006%
5 YR	5.037%	-0.017%

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