MBS Recap: Yields "Plummet" to Best Level In...

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Yields "Plummet" to Best Level In...

MBS Recap Matthew Graham | 4:16 PM

4 trading days... All the way back on October 2nd (last Friday), intraday lows were 5.151%. In other words, today's rally was definitely nice and definitely worth discussing, but if we're witnessing the inception of anything legitimately exciting here, it's in an embryonic stage as of today. 10yr yields would need to be below 5.0% just over a month from now to confirm a truly big shift. As for drivers, we'd have a hard time reconciling today's friendly reversal without giving some credit to investors "buying the dip" in bond prices (or the supportive ceiling in yields around 5.33-5.35). Additional mid-day gains followed war headlines and a decently strong 30yr bond auction. No major data tomorrow.

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MBS Morning

9:36 AM It's Time to Play "Name That Line"

Market Movement Recap

01:04 PM Mid-day gains after war-related headlines. Ho-hum Treasury auction, but it would have been strong if not for the rally leading up to it. 10yr at best levels, down 5 bps at 5.622. MBS up nearly a quarter point.

Lock / Float Considerations

- 10/7/26 - Thursday finally makes for a 2-day combo that's worth discussing as an early hint of a potential turning point. To be clear though: it's worth discussing. If we had to measure progress with trading levels, a sustained break below 5.20% would be phase 1 (i.e. we're not quite there yet). Betting on a continuation at that point is still quite risky. It doesn't become less risky until and unless we're under 5.00% in late November (yes, November).

- 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)

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- We know there will be a decent rally at some point. Look at 2022/2023 yield spikes for examples. Timing the bounce/rally is tricky if not impossible, but it will happen. At that point, the question is how long it lasts and how far it runs. Some corrections (like May 20th, 2026) resulted in 30bp rally over 6 weeks. This would be a good minimum hurdle to clear. Extreme examples have run roughly 100bps in 2 months. No way to know which version we'll get this time as even the past examples were dependent on shifts in economic data.

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
  - 5.27

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	5.225%	-0.066%
2 YR	4.749%	-0.010%

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2 YR	4.749%	-0.010%
30 YR	5.601%	-0.069%
5 YR	4.984%	-0.040%

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