MBS Recap: Another Nice Round Trip For Bonds--Especially MBS

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MBS Recap Matthew Graham | 4:36 PM

Nothing new or interesting happened today in terms of underlying events, news, or data. But the price action itself was a different story. While the moves weren't extreme, it was nonetheless notable that bonds lost ground in a very intentional way this morning only to reverse course and make it back to positive territory by the close. Yields are still broadly sideways at long-term highs, but we now have a second straight day having closed near the week's best levels. MBS outperformed Treasuries a bit, and officially turned green by the afternoon even as 10yr yields were a hair higher. It's all somewhat promising, but not conclusive evidence of "more to come." The 3-day weekend may be adding some distortion. Either way next week's data may play a big role in making this week look like a false start or sneak preview.

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Watch the Video

MBS Morning

9:50 AM Slightly Weaker Start. Keep 3-Day Weekend in Mind

Alert

11:16 AM MBS Down an Eighth From Some Lenders' Rate Sheet Times

Update

12:56 PM Decent Little Recovery

2:50 PM

Market Movement Recap

12:47 PM Weaker morning, but bouncing back since 11am. MBS now down only 2 ticks (.06) and 10yr up only 1.4bps at 5.244

Lock / Float Considerations

- 10/9/26 - We're not reading too much into the Friday before a 3-day weekend, but if we have to take a cue from today, it would be that the market is not jumping into the "big reversal" trade with both feet. Could still play out in either direction, but it's data-dependent.

- 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)

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- 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)

- 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	+

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30YR GNMA 6.0
15YR UMBS-15 5.0

US Treasuries		
10 YR	5.243%	+0.012%
2 YR	4.791%	+0.040%
30 YR	5.601%	-0.006%
5 YR	5.021%	+0.033%

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