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)
  - 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

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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	5.243%	+0.012%
2 YR	4.791%	+0.040%
30 YR	5.601%	-0.006%

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5 YR	5.021%	+0.033%

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