

MBS & TREASURY MARKETS

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MBS Recap: Light Volatility and Modest Gains Ahead of CPI



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Light Volatility and Modest Gains Ahead of CPI

MBS Recap | Matthew Graham | 2:53 PM

Bonds were modestly stronger in the overnight session in a move that is easiest to attribute to ongoing supportive buying in response to recently higher yields in the long end of the market. Fed Funds Futures were also in play as implied Fed Funds tracked fairly well with 10yr yields in terms of movement. Oil prices did little to explain the AM gains, but correlated well with an insignificant pull-back between 8:30-10:00am ET. Afternoon comments from Williams (who only sees the need for 1 more rate hike and then no hikes in 2027) helped the short end of the yield curve, but here too, all of the intraday volatility was very light in the bigger picture. Case in point, this was one of the first days in weeks without any lender reprices reported through 3pm ET.





Watch the Video

MBS Morning

9:57 AM Stronger Start. It's Complicated

2:44 PM

Econ Data / Events

- Existing Home Sales
 - 3.99m vs 3.95m f'cast, 3.93m prev

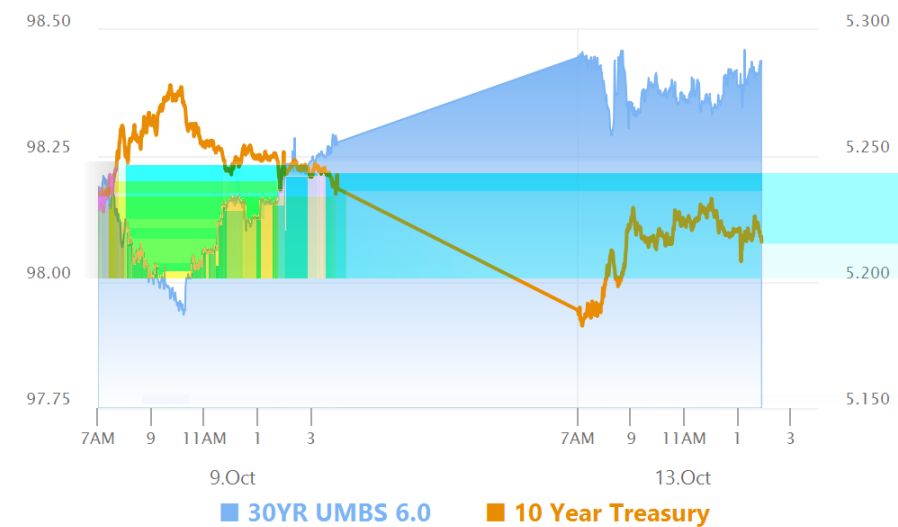
Lock / Float Considerations

- 10/13/26 - With the rally holding into the new week, there's arguably a bit more evidence that traders are feeling more like buying bonds with yields in the 5.2-5.35% range. Tomorrow brings an important test with the CPI data capable of adding to the rally momentum or causing a reversal back toward recent highs. It's a good tactical opportunity with rates at the lowest level in 2 weeks. We'd still like to see stronger evidence of broad buying support. CPI/PPI could help confirm or reject that.
- Ongoing contributions to high/rising rates in no particular order:
 - o War's implied impact on inflation and Treasury issuance
 - o Elevated Treasury issuance (fiscal imbalances)
 - o Elevated **corporate bond** issuance (competes for investor demand)
 - o Resilient stocks (competes for investor demand)
 - o Generally/gradually lower foreign demand (partly driven by tariffs and weaker trade relationships)
 - o Genuine strength/resilience in economic data
 - o 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	+
30YR GNMA 6.0	+
15YR UMBS-15 5.0	

US Treasuries

10 YR	5.215%	-0.028%
2 YR	4.793%	+0.004%
30 YR	5.560%	-0.039%
5 YR	5.005%	-0.015%

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