MBS Recap: What's Up With Monday's Weakness?

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What's Up With Monday's Weakness?

MBS Recap Matthew Graham | 4:40 PM

Bonds were moderately weaker on Monday and not in a way that was obviously connected to any of the potential scapegoats. We know that there was selling in the EU bond market overnight and while U.S. yields correlated with much of that move, that correlation broke down precisely when an EU-driven move would have been most relevant. It's easier to blame an ongoing recovery in the tech space even though there's a similar lack of elegant correlation between tech stocks and bond yields. Bottom line: Treasuries benefited from last week's moments of highest concern surrounding the tech sector. Since then, when those concerns have been anything less than dire, bond yields have cautiously drifted higher.

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Watch the Video

MBS Morning

9:57 AM Light Calendar Leaves Tech Concerns in Focus

Alert

10:53 AM MBS Down Over an Eight From Highs

Alert

12:41 PM Reprice Risk Increasing Slightly

4:11 PM

Lock / Float Considerations

- 10/17/26 - Last week, we worried that Friday's bond market weakness might have been an early clue as to the market's willingness to further pursue the safe-haven trading that fueled last week's big rally, and that the bond market would need substantially more convincing if 10yr yields are to attack the 5.0% floor. As the new week begins, that narrative seems that much more likely given another moderate dose of selling pressure without any overt motivation from data or news headlines. The only possible exception is the French fiscal situation which added to EU bond losses overnight.

- 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)

- Things that would help rates fall the most:

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- recession or significant economic slowdown
- AI/tech credit/earnings bubble concerns playing out in markets
- war ends and oil prices fall
- inflation sustainably returns to 2%

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
  - 5.34
  - 5.27
  - 5.14

- Floor/Resistance
  - 4.83
  - 4.93
  - 5.00
  - 5.07

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	5.143%	+0.063%
2 YR	4.774%	+0.068%
30 YR	5.475%	+0.052%

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5 YR	4.944%	+0.073%

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