MBS & Treasury Markets

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A message from John "Demo" Lender:

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MBS Recap: Little-Moved by Huge Drop in Oil and Tech Stocks



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Little-Moved by Huge Drop in Oil and Tech Stocks

MBS Recap Matthew Graham | 4:26 PM

Bonds were technically stronger at 4pm ET, but just barely. Over the past 2 sessions, we've seen Treasury yields noticeably disconnect from the prevailing correlation with tech stocks. This began after the opening bell last Friday and mostly continued today. Bonds were generally improving while the NASDAQ was higher for most of the day and then sold off starting at 1pm when tech stocks saw their biggest losses (i.e. the opposite of the prevailing correlation). Part of the credit for the bond selling goes to the market's takeaway from Treasury's preliminary borrowing estimates which were $24 billion higher than expected before adjusting for estimated cash balances. Some of the earlier strength in bonds aligned with a sharp decline in oil. While it's true that oil has been the opposite of a reliable source of inspiration for bonds, today's drop was sharp enough to possibly make an exception.



Watch the Video

MBS Morning

10:22 AM Slightly Stronger Start. Mostly Holding After ISM Data

Alert

3:18 PM MBS Down Over an Eighth From Highs

3:46 PM

Econ Data / Events

- Construction spending (Sep)
  - -1.9% vs 0.4% f'cast, 0.9% prev

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- ISM Manufacturing Employment (Oct)
  - 52.4 vs -- f'cast, 52.7 prev
- ISM Manufacturing PMI (Oct)
  - 55.5 vs 54.6 f'cast, 54.5 prev
- ISM Mfg Prices Paid (Oct)
  - 75.2 vs 77 f'cast, 77.9 prev

Market Movement Recap

03:21 PM Losing ground after Treasury released higher preliminary borrowing estimates with the 3pm quarterly refunding documents. U.S. TREASURY ESTIMATES $739 BLN IN PRIVATELY HELD NET MARKETABLE BORROWING FOR JULY-SEPTEMBER 2026, ASSUMING AN END-SEPTEMBER CASH BALANCE OF $950 BLN, $68 BLN HIGHER THAN PROJECTED IN MAY, PRIMARILY DUE TO LOWER EXPECTED NET CASH FLOWS

Lock / Float Considerations

- 11/2/26 - Bonds have increasingly resisted taking cues from large drops in tech stocks over the past 2 trading sessions. Bond buyers may need more convincing, or bonds could simply be running out of room to rally unless tech troubles take a measurable economic toll. Combined with the negative reaction to today's Treasury refunding preview, a more cautious approach continues to make more sense.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
  - 5.27
  - 5.14
  - 5.07
  - 5.00
  - 4.93
- Floor/Resistance
  - 4.75
  - 4.82

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MBS

30YR UMBS 6.0	+
30YR UMBS 6.5	
30YR GNMA 6.0	
15YR UMBS-15 5.0	+

US Treasuries

10 YR	4.911%	-0.019%
2 YR	4.595%	+0.005%
30 YR	5.286%	-0.023%
5 YR	4.706%	-0.015%

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