MBS Recap: Is This The End of The Friendly Trend?

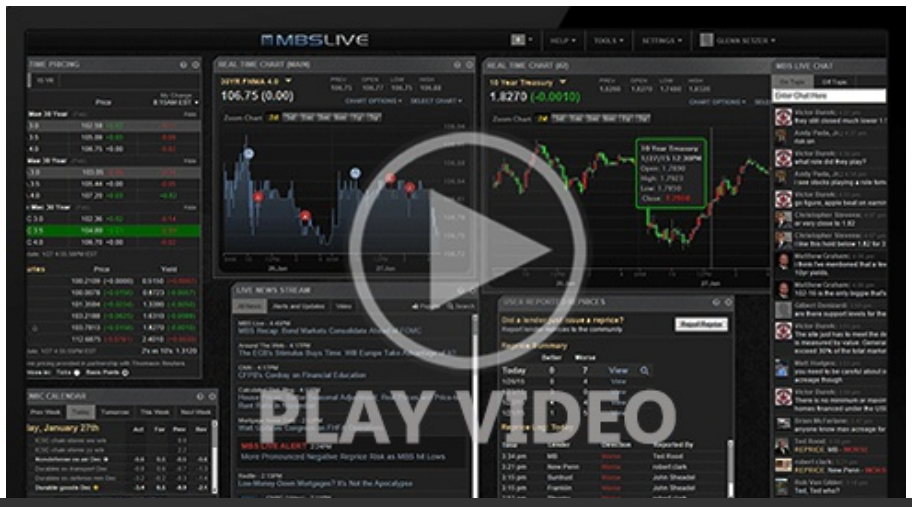


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Is This The End of The Friendly Trend?

MBS Recap Matthew Graham | 4:36 PM

Bonds weathered their biggest day of selling since September today and their only notable day of selling since the recent downtrend in rates began in mid-October. The blame game was simple: CPI was much higher than expected and there were no silver linings in the report's internal components. Multiple Fed speakers (including Warsh 2 weeks ago) have reiterated the Fed's focus on inflation as opposed to the labor market. Even before the data, Waller said a 0.3 core CPI reading could mean a 50bp rate hike in December (and 0.3 is what we got). Fed Funds Futures and shorter-dated Treasuries logically led the selling, but it was big enough to still hit 10yr yields for 10bps. The potential for Tuesday to mark a shift in the trend should be respected as a possibility, but not necessarily a foregone conclusion. We may have some extra volatility associated with the mid-week holiday closure and the true fate of the trend will depend on more than just inflation. That said, it definitely makes it less likely that the rally can continue without new fuel.



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MBS Morning

9:38 AM No "Yeah Buts" in Today's CPI. It's All Bad For Bonds

Alert

12:20 PM Down Just Over an Eighth From Rate Sheet Print Times

2:43 PM

Lock / Float Considerations

- 11/10/26 - The CPI reaction raises questions about the status of the trend in rates. We're not always huge fans of drawing conclusions about trends based on a single day of trading, but based on recent precedent and the bond market's hesitation to fully participate in last week's stock market swan dive, this is an instance where it wouldn't be crazy to entertain an exception.

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
  - 4.88

MBS & Treasury Markets



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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	4.980%	+0.090%
2 YR	4.742%	+0.172%
30 YR	5.354%	+0.072%
5 YR	4.819%	+0.133%

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