MBS Recap: Do Bonds Care About Fuel Prices Again?



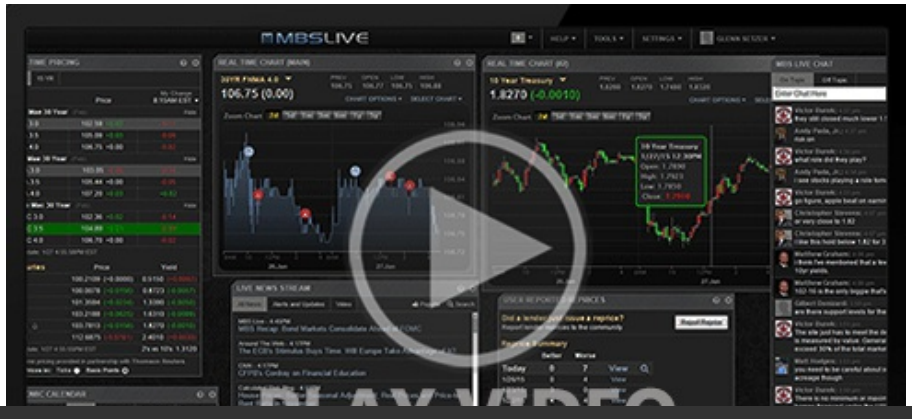
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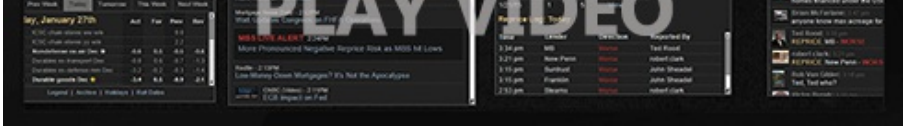
Diesel Futures Under $4. Do Bonds Care?

MBS Recap Matthew Graham | 4:53 PM

Bonds had a solid day, but not without some help. AM gains generally aligned with a stock market swoon that briefly saw the S&P drop to multi-month lows. But when stocks bounced, bonds generally held the gains. Why might that be? Fuel prices may have the answer. Oil and diesel prices have fallen sharply so far in November. Both are back to August's levels. Diesel has been a more reliable narrator for the story of the fuel price impact on rates, and it correlated with bonds even better than stocks today. Correlation isn't necessarily causation, but it is true that--at some point--if diesel/fuel prices fall enough, it would have a beneficial impact on inflation and the bond market.



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MBS Morning

10:04 AM Bonds Cautiously Examining Stock Market Swoon

4:01 PM

Econ Data / Events

- Housing Starts
  - 1.309 vs 1.250m f'cast, 1.221m prev

Lock / Float Considerations

- 11/18/26 - The correction to October's rally trend seems to have leveled off for now. Today was slightly more encouraging than Tuesday in that regard with more help coming from the oil/gas/diesel narrative. That said, bonds were sideways to slightly stronger even before receiving strong cues from fuel prices or stocks. While we wouldn't consider this to be evidence of new rally momentum (not the kind we're looking for anyway), it does help reinforce a supportive ceiling at last week's high yields.

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

US Treasuries

10 YR	5.069%	-0.047%
2 YR	4.801%	-0.005%
30 YR	5.414%	-0.045%
5 YR	4.887%	-0.030%

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