MBS Recap: Same Old Narrative Driving Additional Gains



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Same Old Narrative Driving Additional Gains

MBS Recap Matthew Graham | 2:52 PM

(NOTE: this recap is coming out a bit earlier than normal. We'll publish an update/alert if there are any material changes in the bond market between now and the hard close in 2 hours).

Stocks slid overnight and bond yields followed. This is the prevailing correlation as bonds serve as a safer haven for the money bleeding out of the previously bloated AI trade. It's not always 1:1 and today, that worked in our favor as bonds didn't give back nearly as much of intraday move as stocks (i.e. stocks erased most of the their losses by 2:30pm, but bonds retained most of their gains). Such discrepancies could easily be explained by the excess, random volatility often associated with Thanksgiving trading considerations. We'll choose to be thankful that this is the way it played out this time around and we'll look forward to more liquid price discovery next week.



Watch the Video

MBS Morning

10:18 AM Stunningly Small Reaction to Strong Econ Data

Alert

12:18 PM Down an Eighth From AM Highs

2:38 PM

Econ Data / Events

- ○ Continued Claims (Nov)/14

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        - 1,697K vs 1720K f'cast, 1763K prev
    - Core Durable Goods (Oct)
        - 1.2% vs 0.7% f'cast, 0.5% prev
    - Core PCE (m/m) (Oct)
        - 0.3% vs 0.3% f'cast, 0.3% prev
    - Core PCE (y/y) (Oct)
        - 3.3% vs 3.2% f'cast, 3.1% prev
    - Durable goods (Oct)
        - 0.2% vs 0.6% f'cast, 1.9% prev
    - GDP Q3
        - 4.3% vs 3.5% f'cast, 2.2% prev
    - Jobless Claims (Nov)/21
        - 189K vs 200K f'cast, 203K prev

Lock / Float Considerations

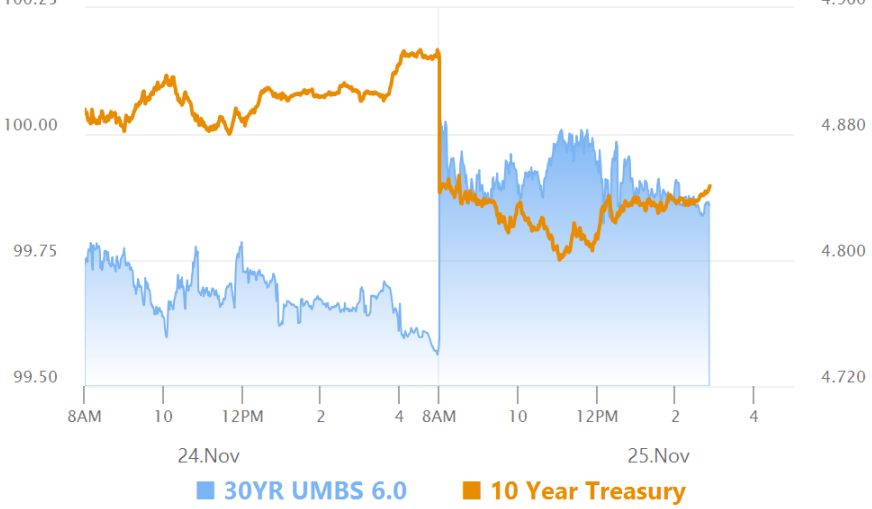
- 11/25/26 - Bonds continue doing as well or better than the prevailing stock market correlation would suggest (i.e. bonds benefited from weaker stocks overnight but didn't give back much of the gains when stocks bounced). For risk takers, this argues in favor of keeping options open, but keep in mind the heightened risk of random volatility surrounding the Thanksgiving holiday. Things could be completely different on Friday and especially Monday for no particular reason.

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	4.847%	-0.080%
2 YR	4.635%	-0.053%
30 YR	5.234%	-0.087%
5 YR	4.660%	-0.074%

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