Bonds to Bessent: Challenge Accepted

Market Summary: Thursday, September 10, 2026 - 4:21AM

When the Yellen Treasury rolled out the buyback program in 2023/2024, they were careful to refer to it as strictly focused on liquidity and cash management. If they were secretly interested in influencing the yield curve, we'd never know. Contrast that to Bessent who specifically told reporters that long term rates were too high and that there was a "signaling component" to the recent decision to increase buybacks. Rhetoric ramped up further this morning when he said "I am the house now," and "you can bet against me if you want." The bond market's responded with a hearty "challenge accepted." Treasury announced a $6bln long-end buyback, which was apparently not quite the bazooka that traders were positioned for. Bonds tanked immediately with 10yr yields hitting new long-term highs just under 4.86% before settling near 4.83%. Despite the apparent drama, this is a small deal in the big picture--especially in light of today's sharply higher oil prices which likely already would have been pushing yields higher if traders weren't waiting on the buyback announcement.

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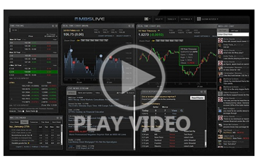

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MBS & Treasury Markets

UMBS 5.5	98.51	+0.07	10YR	4.833%	-0.007%	9/10/2026 2:19AM EST

One More For Emphasis: Reprices Are Now Highly Likely

MBS are down another eighth of a point since the last alert, nearly 3/8ths in total, and at least 6 ticks (.19) from the lowest levels of the morning before the Treasury announcement. That makes reprices likely for a majority of lenders unless there's a massive and immediate reversal.

ALERT: Weakest Levels After Treasury Announcement

MBS MORNING: Are Bonds Fighting Oil Implications Thanks to Buyback Hopes?

30YR Fixed	6.97%	+0.08%	15YR Fixed	6.54%	+0.05%	9/9/2026

Mortgage Rates Jump After New Treasury Buyback Announcement

What do have to do with Treasuries? Quite a lot, actually. U.S. Treasuries are the bills and bonds issued by the government. In addition to financing government spending, they are also the lifeblood of the financial system. Due to that central role, their liquidity, the immense size of the market, and because they're considered to be "risk free," Treasuries also serve as the baseline for most other in the U.S.

This isn't to say that mortgage lenders simply look at Treasury yields plus a margin to set mortgage rates. But the trading value of Treasuries has a bearing on how mortgage-specific bonds trade. Put most simply, a mortgage bond buyer/seller compares returns between mortgage bonds and Treasuries to get an idea of the relative value of mortgage bonds. This impacts supply and demand such that mortgage rates typically behave very much like medium-term Treasuries.

With all that out of the way, we're equipped to understand that any big news for Treasuries (even if it's specific to Treasuries) can have far reaching consequences. Today's big news involved a much-anticipated announcement of the size of the next Treasury buyback program. It's not important to understand the nuts and bolts of that program when it comes to today's mortgage rates. What's important is that the market was expecting a bigger announcement than it got.

Even though Treasury buybacks ultimately imply more Treasury sales, they can temporarily boost demand and put downward pressure on rates. If the buyback amount is lower than expected, that means less demand than expected and higher rates, all else equal.

Mortgage rates were already treading water at long term highs. Today's increase merely caused another incremental jump to slightly higher highs. Last week, rates were the highest since June 2025. Today, they're the highest since May 2025.

[thirtyyearmortgagerates]

Economic Calendar

Last Week | This Week | Next Week

Time	Event	Actual	Forecast	Prior
Thursday, Sep 10				
8:30AM	Aug/29 Continued Claims (k)		1780K	1779K
8:30AM	Sep/05 Jobless Claims (k)		205K	206K
8:30AM	Aug Core PPI m/m (%)		0.3%	0.2%
8:30AM	Aug Core PPI y/y (%)		4.6%	4.2%
8:30AM	Aug PPI y/y		5.3%	4.7%
8:30AM	Aug PPI m/m (%)		0.4%	0%
9:20AM	NY Fed Bill Purchases 4 to 12 months (%)		$2.122 billion	
10:00AM	Aug Existing home sales (ml)		3.98M	4.06M
10:00AM	Aug Exist. home sales % chg (%)			-1.7%
12:00PM	Sep/04 Crude Oil Inventory (ml)		-1.4M	-4.45M
1:00PM	30-Yr Bond Auction (bl)	22		
1:00PM	30-Year Bond Auction			5.216%
Friday, Sep 11				
12:00AM	Roll Date - UMBS 30YR			
8:30AM	Aug y/y Headline CPI (%)		3.4%	3.4%
8:30AM	Aug m/m CORE CPI (%)		0.2%	0.2%
8:30AM	Aug m/m Headline CPI (%)		0.4%	0.1%
8:30AM	Aug y/y CORE CPI (%)		2.4%	2.5%
10:00AM	Sep Consumer Sentiment (ip)		51	51.7
10:00AM	Sep Sentiment: 1y Inflation (%)			4%
10:00AM	Sep Sentiment: 5y Inflation (%)			3.3%
10:00AM	Sep U Mich conditions		51.3	51.9
12:00PM	WASDE Report (%)			
2:00PM	Aug Federal budget (bl)		$-202.5B	$-432B