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The Day Ahead: Stronger Start Thanks to Weaker Jobs Report

Today's playbook was fairly straightforward with bonds being likely to move in the direction suggested by the jobs report. The only challenge would have been the presence of mixed messages (i.e. a big beat in the job count paired with a big miss in the unemployment rate). While there was indeed a beat in the job count, it wasn't big. It was also offset by much larger negative revisions. Unemployment ticked slightly higher. Wages hit their forecast of 0.3 vs 0.4 previously. All told, it suggests more of normalizing labor market with a hint of softening as opposed to a surprisingly resilient labor market indicated by last month's jobs report. Bonds like it and have now erased all of the losses seen since last week's presidential debate.

As a reminder, while there was a lot of attention on the presidential debate as scapegoat for last Friday's bond sell-off, we were bigger fans of the month-end positioning explanation.

Don Reynolds
President, Sr. Mortgage Broker, Apex Mortgage Brokers
ApexMortgageBrokers.com
P: (941) 999-2624
M: (303) 356-5789
don@apexmortgagebrokers.com
16 Linden Lane
Breckenridge CO 80424
NMLS 1217170
Florida LO53316