

MBS & TREASURY MARKETS

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MBS Recap: Orderly, Logical Rally as Bonds Reiterate Data Dependence



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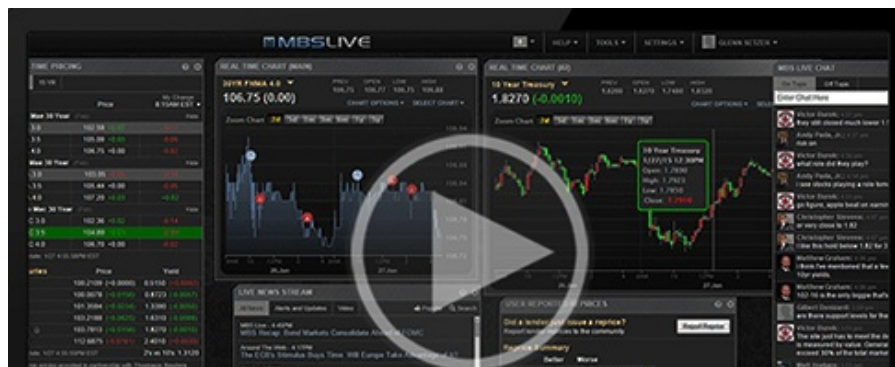
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Orderly, Logical Rally as Bonds Reiterate Data Dependence

MBS Recap | Matthew Graham | 4:33 PM

Today's recap isn't any different than the morning commentary. The jobs report was demonstrably softer than the previous installment across the board, despite the top line nonfarm payroll count being just a hair higher than expected for the most recent month. By the time revisions are considered, the labor market trend went from looking alarmingly resilient to predictably softer. In other words, this is the jobs report trend that conventional wisdom expects with interest rates at these levels. The bond market took the opportunity to calmly confirm its adherence to the Fed's "data dependent" guidance with an orderly rally of moderately large size. All in all, it was a perfectly agreeable jobs report day, and one that leaves a blank canvas for next week's CPI data.





Watch the Video

Update

8:35 AM First Move is Stronger After Mixed Payrolls Data

MBS Morning

11:24 AM Stronger Start Thanks to Weaker Jobs Report

Econ Data / Events

- ○ Nonfarm Payrolls
 - 206k vs 190k f'cast
 - last month revised down to 218k from 272k
- Unemployment Rate
 - 4.1 vs 4.0 f'cast, 4.0 prev
- Wages
 - 0.3 vs 0.3 f'cast, 0.4 prev

Market Movement Recap

- 08:47 AM Modestly stronger overnight with additional gains after NFP. 10yr down 6.2bps at 4.298. MBS up 6 ticks (.16).
- 11:26 AM best levels of the day. 10yr down 8.3bps at 4.277. MBS up 9 ticks (.28).
- 03:20 PM Drifting sideways at best levels, perfectly in line with the previous update.

Lock / Float Considerations

- Friday's jobs report was a win for the bigger picture rate trend, but more in the sense that it helped defuse concerns about inexplicable labor market strength in a restrictive monetary environment. It leaves a very blank canvas for CPI data to set the tone in the coming week. Data dependence is the only certainty as far as directionality. In other words, lock/float is a coin toss that waits for big economic reports to call heads/tails. All we can tell you is that CPI is a high stakes coin. Between now

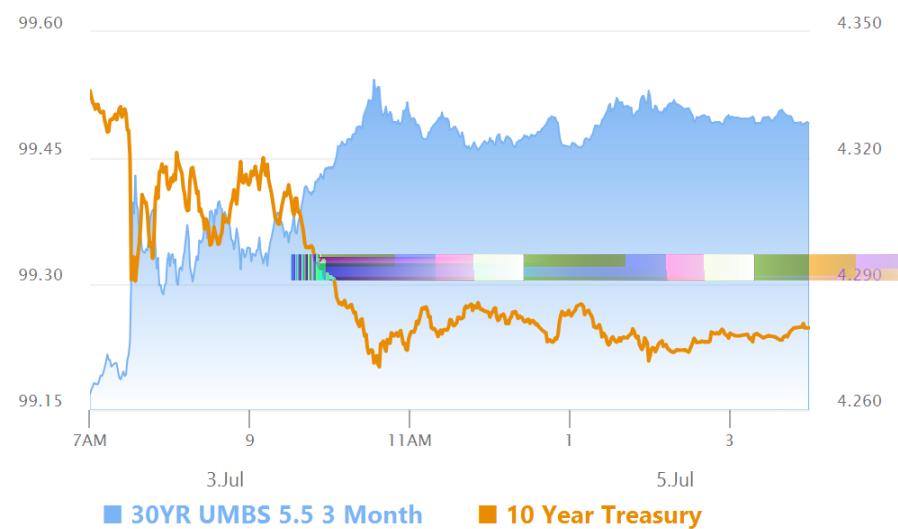
economic reports to be ready, and that we can tell you is that of the high stakes coming between now and then, risk averse clients might consider the tendency for Treasury auction weeks to get off to a rockier start.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
 - o 4.57
 - o 4.49
 - o 4.35
 - o 4.30

- Floor/Resistance
 - o 4.07
 - o 4.19

MBS & Treasury Markets



MBS

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

US Treasuries

10 YR	4.278%	-0.082%
2 YR	4.606%	-0.111%
30 YR	4.474%	-0.056%
5 YR	4.225%	-0.100%

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