MBS Recap: Jobless Claims May Have Hit Bonds Harder Than Retail Sales

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Jobless Claims May Have Hit Bonds Harder Than Retail Sales

MBS Recap Matthew Graham | 4:28 PM

Hot take, and one that's subject to debate, depending on one's relationship with the bond market: Jobless Claims coming in at 227k vs 235k f'cast was a bigger problem for bonds than Retail Sales coming in a 1.0 vs 0.3. No need to discuss. We'll give you the answer. What's the one other thing the Fed brings up as being important to rate cut timing/magnitude besides inflation? If you said "the labor market," you win. Retail sales certainly didn't help, and some investors will certainly care more about that, but bond traders who are paying close attention to the Fed just got another strong argument against the low rate vibes in the last big jobs report. Confirming this is as easy as looking at last week's even smaller jobless claims beat and seeing quite a similar reaction.

Watch the Video

Alert

8:35 AM Big Bad Data Surprise Hitting Bonds Hard

MBS Morning

10:15 AM Zero Evidence of Recession in The Data. Bonds Not Happy

Econon Data / Events

- Jobless Claims
    - 227k vs 235k f'cast, 233k prev
- Retail Sales
    - 1.0 vs 0.3 f'cast, 0.0 prev
- Philly Fed
    - -7.0 vs +7.0 f'cast, 13.9 prev
- NY Fed Manufacturing
    - -4.7 vs -6.0 f'cast, -6.6 prev

Market Movement Recap

09:25 AM sharply weaker after econ data. MBS down more than a quarter point. 10yr up 9.6bps at 3.932

11:30 AM Still near weakest levels with MBS down 3/8ths and 10yr up 9.6 bps at 3.932. Minimal movement since initial sell-off

02:28 PM Off weakest levels. MBA down a quarter point and 10yr up 8.7bps at 3.923

Lock / Float Considerations

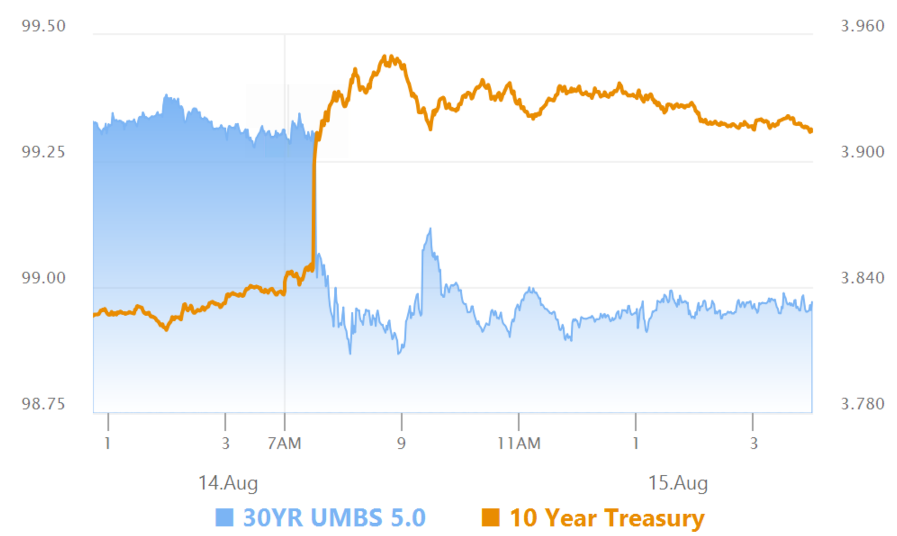
- Jobless Claims data spoke up on Thursday and demanded to not be included in our list of 2nd tier data, even if it had some help from Retail Sales. From here, it's much easier to label Friday's data as 2nd tier as well as most of next week. That takes us into the Fed minutes on Wed and the Jackson Hole symposium on Thu/Fri. Between now and then, risk averse clients should consider that bonds may be at risk of an additional re-think of the gloomy econ data in the first week of August. Risk tolerant clients are relying on technical ceilings as lock triggers. If the break above 3.89% today wasn't enough, the next ceiling is 3.97% (or wherever you set it, since there is always artistic license with "key levels").

Technicals/Trends in 10yr (**why 10yr**)

- Ceiling/Support (can be used as "lock triggers")
  - 4.07
  - 3.97
  - 3.89

- Floor/Resistance
  - 3.58
  - 3.73
  - 3.79

MBS & Treasury Markets



MBS
30YR UMBS 5.5
30YR UMBS 6.0
30YR GNMA 5.5
15YR UMBS-15 5.0

US Treasuries		
10 YR	3.919%	+0.083%
2 YR	4.098%	+0.126%
30 YR	4.179%	+0.055%
5 YR	3.795%	+0.115%

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