

MBS & TREASURY MARKETS

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MBS Recap: Jobs Data Poised to Influence Size of The Upcoming Rate Cut

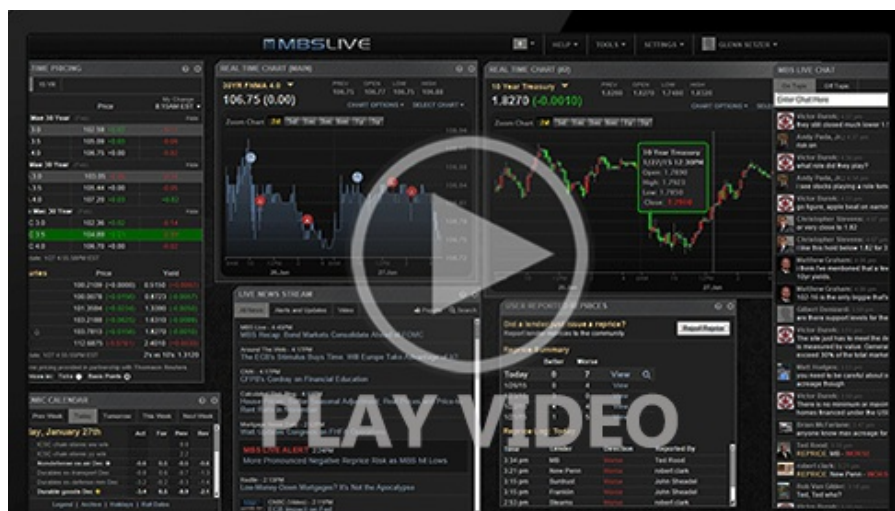


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Jobs Data Poised to Influence Size of The Upcoming Rate Cut

MBS Recap | Matthew Graham | 4:53 PM

Thursday ended up being fairly uneventful for bonds, with the balance of data leaving us slightly better off. ADP employment had the biggest positive impact and the selling pressure created by ISM Services was ultimately unable to argue a better case. Friday's jobs report will offer a final ruling of sorts. It will decide whether the early September rate rally will continue and it will also inform the odds of a 25bp vs 50bp rate cut from the Fed in 2 weeks. The range of potential bond market reactions are only limited by the data's ability to exceed or fall short of forecasts. Potential volatility is as high as it's been since the beginning of August.



Update

8:37 AM Slightly Stronger After ADP Employment

Update

10:07 AM Losing Some Ground After Decent ISM Data

Alert

10:31 AM Right on The Threshold of Negative Reprice Risk For Some Lenders

MBS Morning

12:03 PM Mixed Bag Making For Mixed Morning

Econ Data / Events

- ○ ADP Employment
 - 99k vs 145k f'cast, 111k prev
- Challenger Layoffs
 - 75k vs 26k prev
- Jobless Claims
 - 227k vs 230k f'cast 232k prev
- Continued Claims
 - 1838k vs 1870k f'cast, 1860k prev
- ISM Services PMI
 - 51.5 vs 51.1 f'cast, 51.4 prev
- ISM Prices
 - 57.3 vs 56.0 f'cast, 57.0 prev

Market Movement Recap

- 08:30 AM Flat overnight and stronger after ADP. 10yr down 1bp at 3.746 and MBS up 2 ticks (.06).
- 10:07 AM Weaker after ISM data (but still barely green on the day). MBS up 2 ticks (.06) and 10yr down 0.2bps at 3.752
- 10:57 AM Now decidedly weaker with MBS down 2 ticks (.06) on the day and 6 ticks (.19) from the highs. 10yr up 11bps at 3.767

Lock / Float Considerations

- On the Thursday before a Jobs Report Friday, there's never a secret report that clues anyone in to the impending bond market reaction. This time around, there's almost certain to be at least a moderately big reaction, and there is a decent chance that it will be the most volatile day for bonds since the beginning of August. Again, there's an equal chance of that volatility resulting in higher or lower rates. Betting on one or the other is truly a coin flip.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
 - o 4.07
 - o 3.95
- Floor/Resistance
 - o 3.58
 - o 3.70
 - o 3.82
 - o 3.87

MBS & Treasury Markets



MBS

30YR UMBS 5.0

+

30YR UMBS 5.5

+

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

+

US Treasuries

10 YR	3.725%	-0.030%
2 YR	3.739%	-0.026%
30 YR	4.019%	-0.039%
5 YR	3.534%	-0.016%

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