

MBS & TREASURY MARKETS

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MBS Recap: Wild Ride on Jobs Day as Fed Speakers Steal The Show



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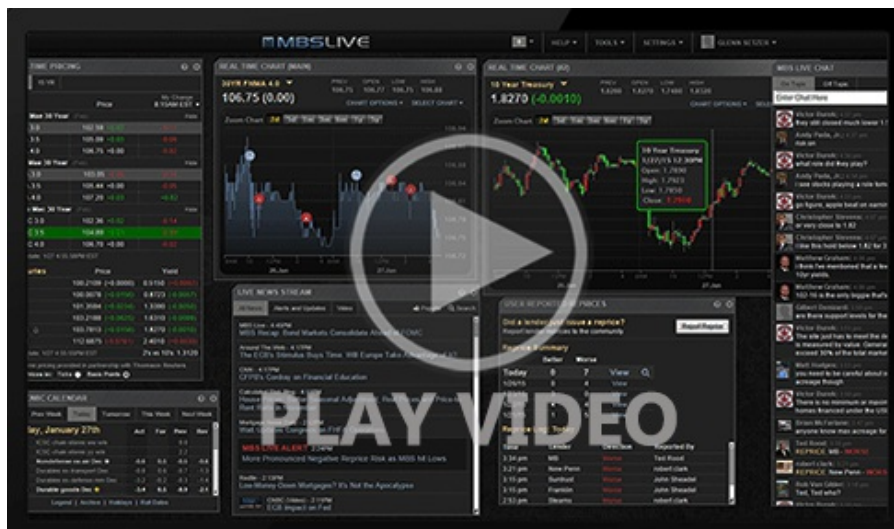
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Wild Ride on Jobs Day as Fed Speakers Steal The Show

MBS Recap | Matthew Graham | 5:31 PM

We came into jobs report day expecting some clarity on the size of the Fed's impending rate cut and in hindsight, it's abundantly clear that traders felt the same way. The only catch is that the lion's share of the clarity was reserved for a few short comments from Fed's Chris Waller. The market initially mistook those comments to suggest a 50bp cut, but swiftly reconsidered. In terms of Fed Funds Futures, the volume and volatility surrounding Waller's comments were FAR bigger than the action surrounding the jobs report earlier in the morning. Ultimately, it was a good enough day for rates with bonds holding modest gains.



Update

8:36 AM NFP 142k vs 160k, Unemployment Drops. Bonds Rallying

Alert

9:37 AM Bonds Fully Erase Post-NFP Gains

Update

10:37 AM Reversal Reversing (Bonds Turning Green)

MBS Morning

10:55 AM Jobs Report Does Nothing to Resolve Fed Rate Cut Debate

Alert

12:32 PM Lenders Could Reprice in EITHER Direction

Econ Data / Events

- ○ Nonfarm Payrolls
 - 142k vs 160k f'cast
 - last month revised to 89k from 114k
- Unemployment Rate
 - 4.2 vs 4.2 f'cast, 4.3 prev
- Earnings
 - 0.4 vs 0.3 f'cast
 - last month revised to -0.1 from 0.2

Market Movement Recap

- 08:52 AM 2-way trading after jobs report with nice initial gains and now some backtracking. MBS up 2 ticks (.06) and 10yr down 2.1bps at 3.708
- 09:18 AM Back to unchanged in Treasuries. MBS now up only 3 ticks (.09). No reason for the reversal in terms of new info/data.
- 10:32 AM Back to stronger levels now with 10yr down 3bps at 3.698. MBS up 5 ticks (.16).
- 12:34 PM Well off the best levels now. MBS down about a quarter from highs, but still up 3 ticks (.09). 10yr down 1bp at 3.72, but up sharply from 3.646 lows.

Lots of back and forth, but not a lot of lasting change. 10yr down less than 1bp at 3.722. MBS up an eighth of a point

Lock / Float Considerations

- Friday's jobs report painted a bleaker picture for the labor market--something that's generally in line with stronger rate momentum. There's some question as to how much of that picture was already priced in beforehand. With rates at the lowest levels in more than 1.5 years and a Treasury auction cycle coming up, risk-averse clients aren't crazy to take chips off the table in the short term. Risk tolerant clients will generally wait for something more threatening to happen at times like this.

Technical/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
 - o 3.95
 - o 3.87
 - o 3.82
 - o 3.77
 - o 3.72
- Floor/Resistance
 - o 3.58
 - o 3.66

MBS & Treasury Markets



MBS

30YR UMBS 5.0

+

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

US Treasuries

10 YR	3.710%	-0.019%
2 YR	3.652%	-0.091%
30 YR	4.026%	+0.007%
5 YR	3.487%	-0.050%

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