

MBS & TREASURY MARKETS

Daily Coverage. Industry Leading Perspective.

MBS Recap: Early Weakness Erased After Labor Market Warning Signs



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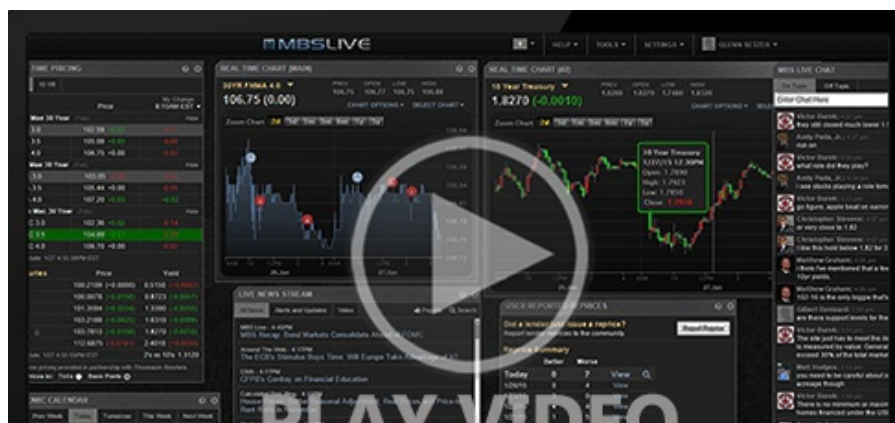
Del Mar CA 92014

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Early Weakness Erased After Labor Market Warning Signs

MBS Recap | Matthew Graham | 4:45 PM

The first few hours of domestic trading caused some concern that the post-Fed rate correction was far from over. At the time, yields were up several bps from closing levels and had just broken above yesterday's highs. That's not the sort of thing you want to see if you're hoping for bonds to level off. Everything changed after the Consumer Confidence data. While this isn't a report that reliably causes a reaction in the bond market, it's "labor differential" component is more closely watched recently. Derived by subtracting the "jobs hard to get" line item from "jobs plentiful," the differential is increasingly pointing toward a softer job market--something that is well understood to align with more aggressive rate cuts from the Fed.





Watch the Video

Update

10:30 AM Losses Erased After Weak Confidence Data

MBS Morning

10:50 AM Bonds Not Out of Woods Yet, But Econ Data is Helping

Econ Data / Events

- ○ FHFA Home Prices
 - 0.1 vs 0.2 fcast, 0.0 prev
- FHFA Annual Change
 - 4.5 vs 5.3 prev
- Case Shiller Home Prices
 - 0.0 vs 0.6 prev
- Case Shiller Annual Change
 - 5.9 vs 6.5 prev
- Consumer Confidence
 - 98.7 vs 103.8 fcast, 105.6 prev

Market Movement Recap

- 09:09 AM Steadily weaker overnight. 10yr up 4.7bps at 3.794. MBS down an eighth.
- 10:01 AM Bouncing back after Consumer Confidence. MBS down only 2 ticks and 10yr up 2.5bps at 3.772
- 03:14 PM trickling to best levels of the day. MBS up 3 ticks (.09) and 10yr down 1.4bps at 3.733
- 04:39 PM unchanged since the last update. Bonds going out at the day's best levels.

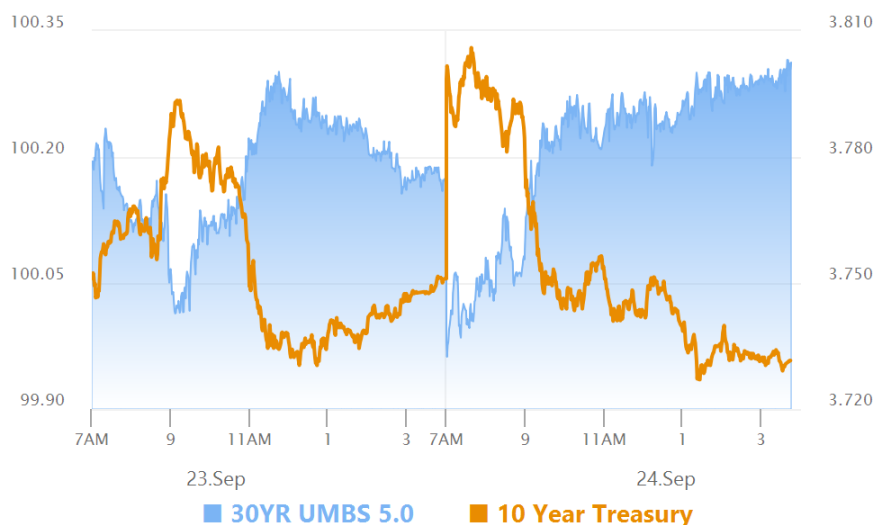
Lock / Float Considerations

- Risk tolerant clients are now starting to consider that the post-Fed correction may be leveling off and risk/reward is falling into better balance. Risk averse clients are still taking advantage of rates that aren't far above long-term lows. In either case, only modest movement is at stake. Bigger picture movement relies on the econ data in early October, absent an unexpected, exogenous shock.

Technicals/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 5.5 | | + |
| 30YR GNMA 5.0 | | + |
| 15YR UMBS-15 5.0 | | + |

US Treasuries

| | | |
|-------|--------|---------|
| 10 YR | 3.731% | -0.016% |
| 2 YR | 3.536% | -0.050% |
| 30 YR | 4.086% | -0.007% |
| 5 YR | 3.474% | -0.026% |

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