

MBS & TREASURY MARKETS

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MBS Recap: Who Lied About Jobs Numbers?



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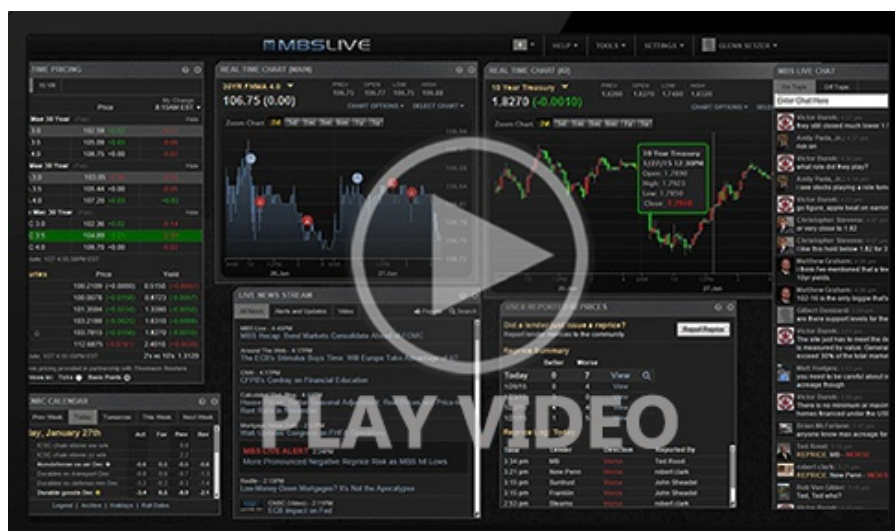
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Who Lied About Jobs Numbers?

MBS Recap | Matthew Graham | 4:43 PM

Unpleasant day for the bond market with jobs crushing forecasts and being revised higher for the past 2 months. We knew it would be high stakes and the magnitude of the reaction makes good sense relative to the data. But how do we reconcile this against the weaker jobs numbers in the past 2 months? And what about reports of a record number of government jobs? As is often the case, there are nuances and today's MBS Live recap video offers a deep dive that will help clear up a few of them. If you don't have time to watch, the takeaway is that Federal gov jobs were basically flat (adding 1k payrolls whereas state/local gov added 29k payrolls). For context, the biggest categories in health care and food service each added more than 70k jobs.



Watch the Video

Alert

8:32 AM Jobs Report Crushes Expectations. Here Come Higher Rates

MBS Morning

11:32 AM Huge Beat in Jobs Report; Bonds Reeling

Alert

3:09 PM Negative Reprices Are Possible For Some Lenders

Econ Data / Events

- ○ Nonfarm Payrolls
 - 254k vs 140k f'cast, 159k prev
- Unemployment Rate
 - 4.1 vs 4.2 f'cast
- Wages
 - 0.4 vs 0.3 f'cast
 - last month revised up to 0.5

Market Movement Recap

- 08:33 AM Bonds destroyed after strong jobs report. MBS down almost half a point. 10yr up 9.5bps at 3.943
- 11:32 AM Flat and right in line with initial sell-off levels. MBS down half a point. 10yr up 11bps at 3.956
- 03:09 PM weaker drift continues. 10yr yields up 13.5bps at 3.982. MBS down 5/8ths of a point.

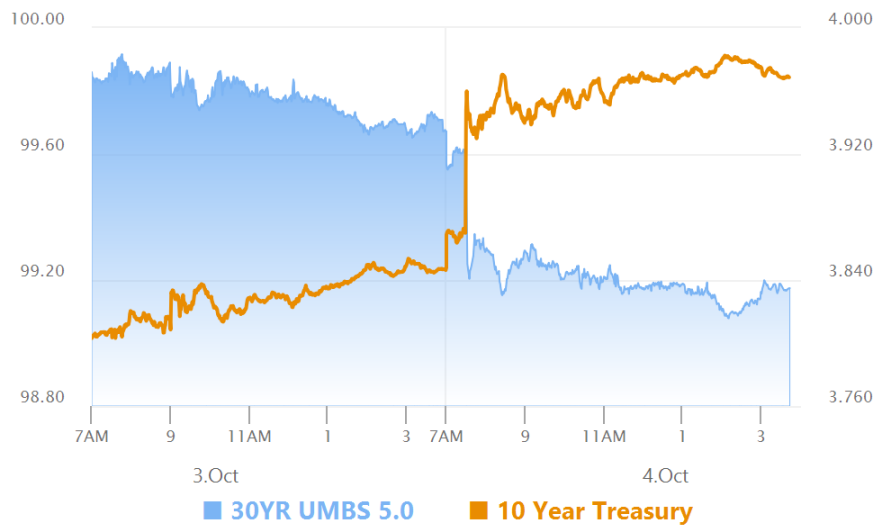
Lock / Float Considerations

- Friday's strong jobs report and resulting bond market rout change the calculus for rate expectations until further notice. Traders now need new data to reinvigorate the case for an economy that's weakening enough to support the Fed's expected case of rate cuts. As big as Friday's sell-off was, it still makes sense to view it as the start of a trend toward higher rates until the market proves otherwise. That leaves both risk-tolerant and risk-averse clients in a lock-biased stance.

Technical/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
 - o 4.07
- Floor/Resistance
 - o 3.66
 - o 3.72
 - o 3.77
 - o 3.82
 - o 3.87
 - o 3.95

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	3.968%	+0.121%
2 YR	3.925%	+0.218%
30 YR	4.254%	+0.074%
5 YR	3.804%	+0.175%

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