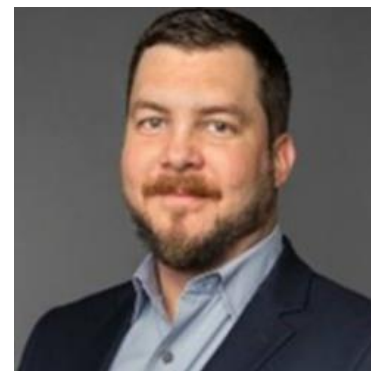


# MBS & TREASURY MARKETS

Daily Coverage. Industry Leading Perspective.



## MBS Recap: Decent Showing in Light of Stronger Data



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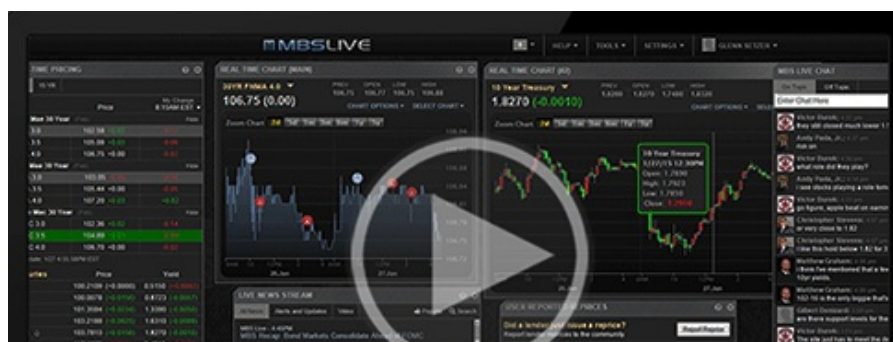


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## Decent Showing in Light of Stronger Data

MBS Recap | Matthew Graham | 4:35 PM

Bonds lost ground today, but not as much as one might expect given the 233k vs 115k result in the ADP Employment data. Granted, ADP is a notoriously imperfect predictor of the NFP number that follows 2 days later, but that never stops markets from reacting on occasions like this. So what stopped them today? Some combination of month-end trading, a favorable report on new Treasury auction amounts, "bigger fish to fry," and perhaps the fact that payroll counts are being taken with a grain of salt due to weather-related disruptions in September. Ultimately, bonds did manage to lose a bit of ground, but not until well after the morning's econ data reaction window had passed.





Watch the Video

**Alert**

8:20 AM ADP Jobs Much Higher Than Expected. Bonds Selling, But Gently So Far

**Update**

8:40 AM Some Additional Weakness After GDP Data

**Alert**

11:11 AM MBS Down Over a Quarter Point From Highs

**MBS Morning**

11:26 AM Deceptively Resilient After Stronger Data

**Alert**

3:18 PM New Lows For MBS

**Econ Data / Events**

- ○ ADP Employment
  - 233k vs 115k f'cast, 143k prev
- GDP Q3
  - 2.8 vs 3.0 f'cast, 3.0 prev
- Core Q3 PCE price index
  - 2.2 vs 2.1 f'cast, 2.8 prev

**Market Movement Recap**

- 08:40 AM Slightly stronger overnight and weaker after data. MBS down 5 ticks (.16) and 10yr up 1bp at 4.264
- 10:32 AM Nice recovery into the 10am hour with 10yr now down 1.7bps at 4.238 and MBS up 1 tick (.03).
- 01:16 PM less volatility now. Modest weakness remains. MBS down 3 ticks (.09) and 10yr up half a bp at 4.259

## Lock / Float Considerations

- While the bigger picture rate outlook remains data dependent (i.e. a super strong jobs report = higher rates and vice versa), consider the likelihood of significant election related volatility until further notice. As for any flashes of potential hope, we continue to advocate waiting for genuine motivation in the data or election outcome rather than technical analysis.

## Technical/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
  - o 4.35
  - o 4.30
- Floor/Resistance
  - o 3.87
  - o 4.00
  - o 4.12
  - o 4.20

## 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	4.299%	+0.045%
2 YR	4.175%	+0.080%
30 YR	4.511%	+0.014%
5 YR	4.157%	+0.077%

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