

MBS & TREASURY MARKETS

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MBS Recap: Will Jobs Report Finally Get Bond Market's Attention?



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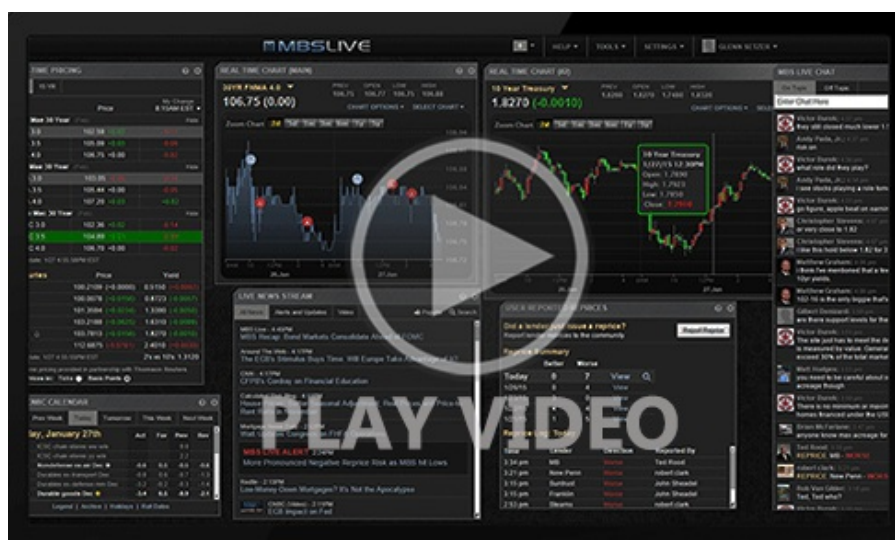
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Will Jobs Data Finally Get Bond Market's Attention?

MBS Recap | Matthew Graham | 4:50 PM

It's been a weird week so far with a crazy combination of significant intraday volatility and an absence of any major movement in the bigger picture. Case in point, closing levels in 10yr yields have been 4.27, 4.27, 4.28, and 4.28 (at the 3pm CME) close. That's an uncommonly flat week for closing levels, but even less common during a week with an absolute range of more than 13bps. Stranger still is that the volatility has taken few--if any--cues from economic data. Case in point, today's biggest market mover was the big sell off in UK bonds. Does this mean markets may be less interested in reacting to tomorrow's jobs report as much as normal? The answer is this simple: never bet against the jobs report's potential to make waves. Sure, the ultimate level of volatility could be limited by next week's unknowns, but a lopsided result in either direction would still be almost guaranteed to push rates in the corresponding direction.



Watch the Video

Update

8:38 AM Mixed Reaction to Slightly Stronger Data

Alert

10:01 AM MBS Down Nearly a Quarter Point From Highs

MBS Morning

12:16 PM Once Again, Bonds Hangin' Tough Without Much Focus on Data

Econ Data / Events

- ○ Jobless Claims
 - 216k vs 230k f'cast, 228k prev
- Continued Claims
 - 1862k vs 1890k f'cast
- Core PCE Prices M/M
 - 0.3 vs 0.3 f'cast, 0.1 prev
- Core PCE Y/Y
 - 2.7 vs 2.6 f'cast, 2.7 prev

Market Movement Recap

09:40 AM sideways to slightly stronger overnight and a bit weaker after data. MBS down 2 ticks (.06) and 10yr up 0.7bps at 4.307

- 10:12 AM More weakness now with US bonds potentially taking some cues from a big UK sell-off. MBS down 3 ticks (.09) and 10yr up 1.5bps at 4.314
- 12:23 PM Bouncing back a bit now as U.K. bonds recover. MBS unchanged and 10yr down 1.3bps at 4.286
- 03:07 PM Slightly better recovery. MBS up 1 tick (.03) and 10yr down 2bps at 4.279

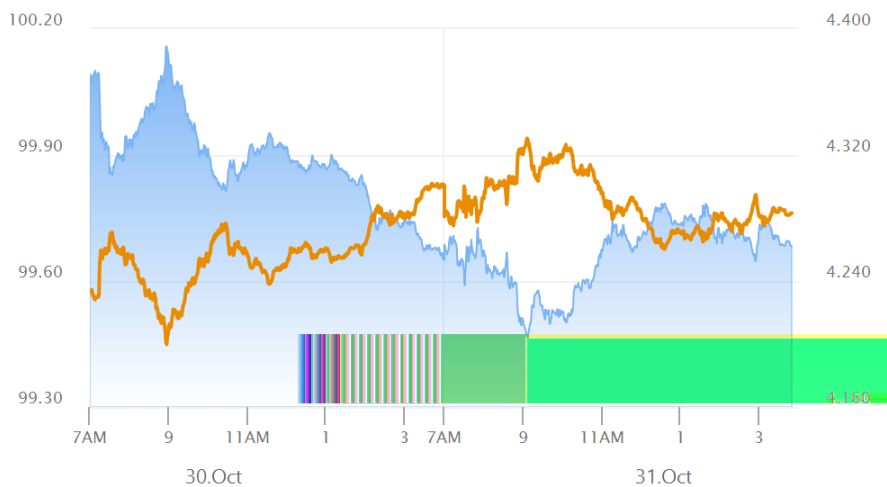
Lock / Float Considerations

- Although economic data has had limited impact on bonds/rates so far this week, one must always assume that the jobs report can break that trend. It remains highly consequential, for better or worse. With the path of least resistance having been toward higher rates recently, we wouldn't be eager to bet against that trend until it reaches a clear-cut inflection point. Such a reversal is not truly possible to confirm until after the election.

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	4.283%	-0.016%
2 YR	4.172%	-0.008%
30 YR	4.472%	-0.029%
5 YR	4.157%	-0.001%

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