MBS & TREASURY MARKETS

Daily Coverage. Industry Leading Perspective.

MBS Recap: Why Bonds Tanked Despite Super Low NFP



George Moorhead Designated Broker / President, Bentley Properties

www.GeorgeMoorhead.com P: (425) 747-1901 M: (425) 236-6777 georgem@bentleyproperties.com

14205 SE 36th St Bellevue WA 98006 Washington RE License 2390

Why Bonds Tanked Despite Super Low NFP

MBS Recap Matthew Graham | 5:06 PM

Nonfarm Payrolls (NFP) came in at 12k versus a median forecast of 113k, and a previous reading of 254k. If those were the only facts you knew, on almost any other jobs report day in the history of jobs report days, you'd be well advised to bet heavily on a bond rally. The fact that bonds tanked can only be explained by an unknown combination of two things--maybe 3. We're all already family with bonds generally weakening ahead of the election. That could be an ongoing factor behind today's weakness. But there's also some nuance in the jobs report if we agree that the payroll count was artificially distorted by temporary events. Lastly, ISM prices rose to the highest levels of the year. This could have some traders thinking "what if inflation has another bounce like it did in early 2024?" This might seem like a longshot, but bonds were still in positive territory by the time ISM came out.

| | | | MMBSLIVE | M * 100 * | 100.5 * MTINGS * 🗐 G.C | |
|-------------------|--------------------|------------|---|-----------------------------|--------------------------|---|
| | | | | | | |
| | | 0.0 | HEAL THE CHART MANE | 0 0 REAL THE CHART PUT | | |
| 12.18 | | | | 10 Year Dearby * | | COLOR OF MARK |
| | Pro | A TOAM LOT | 106.75 (0.00) | - macrowr- 1.8270 (-0.0010) | CADE CADE CHE CADE | Ger Outron |
| Not 10 Year | | | June Days 24 THE THE THE THE THE THE | Incording in the line | C MORE MADE THE C MORE | The bar Darrets, it is you |
| 34 - | | | | 10.14 | Come man tractory | Tay shi closed much lower 1 |
| | | | | | | Andy Parks, July 1.1 and |
| 4.0 | | | | | 10 fear Dearsey | The state Dank + how |
| tee (0 Teer | | | | 14.14 | August 1,700 | Av |
| | 10.01 | | | | Mark 12911 | Anty Park, Act of the |
| | 10144-030 | | | | Lew 1,7000 | 21 Taxe starts playing a rule for |
| | | | | | Que 1784 | an and a series of the series |
| C30 8034 -140 414 | | | | | | Inter Contractory Diversion (+ 17 |
| 110 | 10236-010 | | | | | The array data is 182 |
| | 10.70 -0.00 | | | | 9050 | Christian for Several and an |
| | | | the second se | | | Wetter Coder 1 1 |
| ries . | | | And the state of the state of the state | | 1 1 4 4 54 | But here contains that a le |
| | 100,2109 218 80003 | | the second se | | 1.00 | Balling Graham - 1 an |
| | | | LIVE NEWS STREAM | | | 102 highlight to the anti-broose that |
| | | | Statute And and paint Annual | Alar Ghant (DER REPORTED) | | |
| | | | MILLION ALLONG | Def a benderig and more | a reptor) Realfactor | an here appelieves to be |
| | | | With Recipt. Early Markets Consolides Alves | | Reconceptly Report Paper | The site band has be meeting a |

© MBS Live, LLC. All rights reserved. This newsletter is a service of MBS Live.



Watch the Video

Update

8:38 AM Swing and a Miss For NonFarm Payrolls. Bonds Rallying

MBS Morning

10:06 AM Yes, NFP Really Dropped to 12k, But Don't Expect a Huge Rally

Aler

10:22 AM Down More Than a Quarter Point From Highs

11:51 AM Negative Reprice Risk Increasing

Econ Data / Events

- • Nonfarm Payrolls
 - 12k vs 113k f'cast, 223k prev
 - Unemployment Rate
 - 4.1 vs 4.1 f'cast, 4.1 prev
 - ISM Manufacturing
 - 46.5 vs 47.6 f'cast, 47.2 prev
 - ISM Prices
 - 54.8 vs 48.5 f'cast, 48.3 prev

Market Movement Recap

- ^{10:07 AM} Initially stronger after NFP, but losing ground since 8:50am ET. MBS still up 3 ticks (.09) but 10yr unchanged at 4.287
- 11:09 AM Additional weakness. MBS down an eighth on the day and 10yr up 5.4bps at 4.34
- 01:43 PM Weakest levels. 10yr up 7.8bps at 4.364. MBS down 6 ticks (.19).
- 04:47 PM going out at new highs for 10s up 9.8bps at 4.385 and new lows for MRS, down 7 ticks (22) in

5.5 coupons.

Lock / Float Considerations

The market's unwillingness to maintain any gains following the jobs report is the latest piece of evidence that a meaningful rate rally isn't possible until after the election. Whether or not someone should hold out for that depends entirely on the election outcome. Some talking heads suggest bonds rally either way because they've simply moved to the sidelines, but we'd approach it from this standpoint of more selling being possible depending on the election outcome (including congressional elections).

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
 - **4.49**
 - **4.43**
- Floor/Resistance
 - ° 4.12
 - ° 4.20
 - ° 4.30
 - **4.35**



MBS & Treasury Markets

30YR UMBS 5.5

© MBS Live, LLC. All rights reserved. This newsletter is a service of MBS Live.

30YR GNMA 5.5 15YR UMBS-15 5.0

| US Treasuries | | | | | |
|---------------|--------|---------|--|--|--|
| 10 YR | 4.385% | +0.099% | | | |
| 2 YR | 4.210% | +0.030% | | | |
| 30 YR | 4.580% | +0.104% | | | |
| 5 YR | 4.225% | +0.068% | | | |

Open Dashboard

Share This