

MBS & TREASURY MARKETS

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MBS Recap: Sizeable, Straightforward Selling Spree



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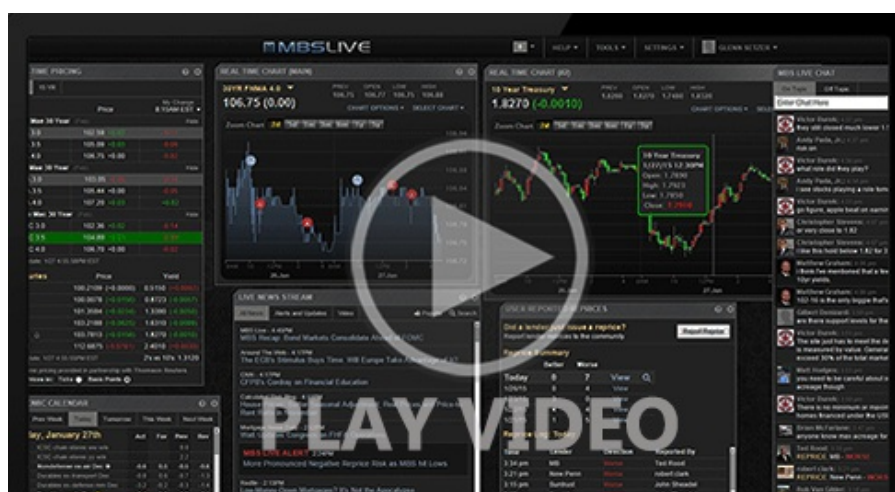
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Sizeable, Straightforward Selling Spree

MBS Recap | Matthew Graham | 3:46 PM

Today's jobs report was much stronger than expected and there were no compelling counterpoints to give traders any second thoughts. As such, traders proceeded logically by dumping bonds. Trading levels hit the 3pm close very close to the levels seen immediately after the jobs report and there wasn't much fanfare in between. All in all, a reaction that was as straightforward as it was unpleasant.



Alert

8:32 AM Bonds Tanking After Surge in Payroll Growth

MBS Morning

10:16 AM Highest Yields in Over a Year After Super Strong Jobs Report

Alert

1:20 PM Down a Quarter Point From Post-NFP Highs

Econ Data / Events

- ○ Nonfarm Payrolls
 - 256k vs 160k f'cast, 227k prev
- Unemployment Rate
 - 4.1 vs 4.2 f'cast, 4.2 prev

Market Movement Recap

- 08:47 AM big selling after data. MBNS down half a point. 10yr up 8.9bps at 4.773
- 10:31 AM Decent recovery in Treasuries with 10yr yield now up only 4.8bps at 4.734. MBS down 14 ticks (.19).
- 02:42 PM MBS as new lows, down nearly 5/8ths. 10yr up 8.1bps at 4.765

Lock / Float Considerations

- Strong jobs report reinvigorates the upward trend in rates. The upcoming CPI data can take the pain to the next level or help create some support. In general, this is a lock-biased environment until such time as the data takes a cohesive and decisive turn in a rate-friendly direction. That's not to say there won't be pockets of short-term opportunities, but capitalizing on them would involve luck rather than strategy.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
 - 4.88
 - 4.80
 - 4.74
 - 4.67
- Floor/Resistance
 - 4.43
 - 4.50
 - 4.57

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 | 4.769% | +0.085% |
| 2 YR | 4.385% | +0.119% |
| 30 YR | 4.961% | +0.032% |
| 5 YR | 4.584% | +0.126% |

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