MBS Recap: Minimal Selling Leaves Focus on CPI

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Minimal Selling Leaves Focus on CPI

MBS Recap Matthew Graham | 1:14 PM

The first order of business this morning was to reconcile the weaker NFP reading with the seemingly illogical bond market sell-off. That was easy enough to do by the time we considered the solid drop in unemployment along with the big revisions to the past 2 months of payrolls. It was all the more palatable due to the modest size of the sell-off (especially modest as far as jobs report days are concerned). Thanks to the rally earlier in the week, bonds are still set to end the week at slightly stronger levels. Bottom line, volatility is minimal. Next week's CPI is the only other report that can hold a candle to NFP when it comes to rocking the bond market's boat.

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Update

8:34 AM Payrolls Come in Weaker, Unemployment Stronger, Bonds Losing Ground

MBS Morning

10:15 AM Why Are Bonds Not Liking The 143k vs 170k NFP?

Econon Data / Events

- Nonfarm Payrolls
  - 143k vs 170k f'cast, 256k prev, revised to 273k
- Unemployment Rate
  - 4.0 vs 4.1 f'cast, 4.1 prev
- Participation Rate
  - 62.6 vs 62.5 prev
- Consumer Sentiment
  - 67.8 vs 71.1 f'cast
- 1yr inflation expectations
  - 4.3 vs 3.3 previously
  - big jump on tariff fears

Market Movement Recap

08:48 AM First move after NFP is weaker. MBS down 5 ticks (.16) and 10yr up 3.7bps at 4.478

10:57 AM off the weakest levels after Trump's reciprocal tariff headlines. MBS still down a quarter point and 10yr up 4.8bps at 4.489

01:05 PM Classic PM sideways fizzle in progress. MBS still down a quarter point and 10yr drifting sideways just under 4.50.

Lock / Float Considerations

- With Friday's jobs report out of the way, Wednesday's CPI becomes the next major volatility risk in the near term. The jobs report likely serves a role to offer resistance to the recent bond rally as opposed to define an entire month of momentum (as jobs reports can sometimes do). If anything, CPI is slightly more likely to shape prolonged trends. This doesn't mean CPI is any more likely to help or hurt, simply that it's at least as big a risk/opportunity than jobs, if not bigger. In the short term, there's not a great calendar-based opportunity for a strong recovery until and unless CPI comes in weak.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
  - 4.74
  - 4.67
  - 4.57
  - 4.50
  - 4.43
- Floor/Resistance
  - 4.27
  - 4.34

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	4.494%	+0.053%
2 YR	4.278%	+0.065%
30 YR	4.696%	+0.060%
5 YR	4.339%	+0.064%

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