

MBS & TREASURY MARKETS

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MBS Recap: Bonds Give Up AM Gains After Powell Speech



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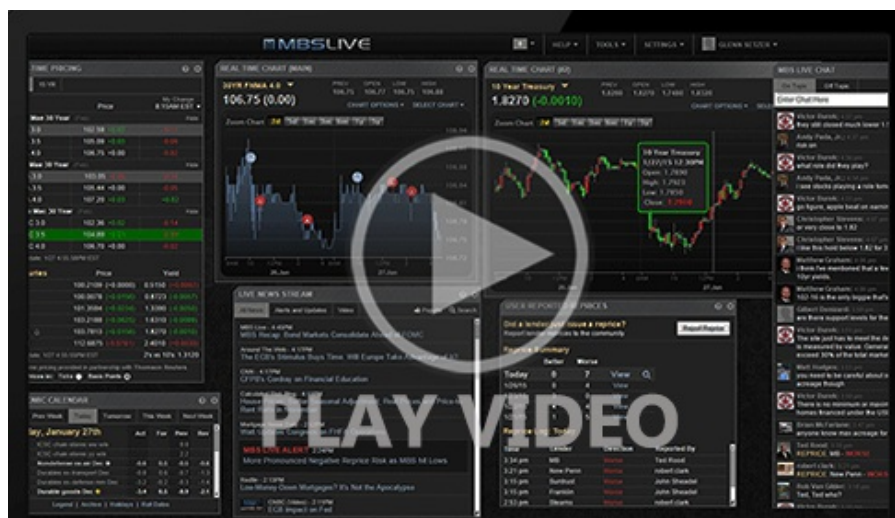
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Bonds Give Up AM Gains After Powell Speech

MBS Recap | Matthew Graham | 4:01 PM

Bonds made it through the jobs report in good shape with modest gains intact heading into the PM hours. Things changed after that, with the most obvious turning point coinciding with Fed Chair Powell's speech. If traders had been hoping to hear Powell express some concern over economic momentum, they were disappointed when he said "the economy is fine. It doesn't need us to do anything, really." With that, bonds moved into negative territory and Fed Funds Futures moved back near the week's weakest levels (indicating slightly lower odds of the next rate cut happening in May).



Update

8:38 AM NFP Very Close to Consensus. Bonds Sold Off But Are Bouncing Back

MBS Morning

10:20 AM Mixed Jobs Data Making For Slightly Stronger Start

Alert

12:57 PM MBS Down an Eighth From Recent Highs

Alert

1:37 PM Negative Reprices Becoming More Likely

Econ Data / Events

- ○ Nonfarm Payrolls
 - 151k vs 160k f'cast, 125k prev
- Unemployment Rate
 - 4.1 vs 4.0 f'cast, 4.0 prev
 - unrounded: 4.1396%
- Participation Rate
 - 62.4 vs 62.6 f'cast

Market Movement Recap

- 08:56 AM slightly stronger to start with additional gains after NFP. MBS up almost a quarter point and 10yr down 5.2bps at 4.218
- 01:49 PM swooning now after consolidating into the noon hour. MBS down 3 ticks (.09) and 10yr up 3.5bps at 4.306
- 03:49 PM Slightly weaker and now holding mostly sideways. MBS down 5 ticks (.16) and 10yr up 4.5bps at 4.316

Lock / Float Considerations

- Taken together, the past 4 days suggest the bond market is experiencing some genuine resistance to the prevailing rally momentum. It's a good time for the less aggressive floaters to consider locking. Aggressive floaters may choose to wait for more weakness before getting to the next high consequence economic data (Wednesday's CPI).

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
 - o 4.57
 - o 4.50
 - o 4.40
 - o 4.34
- Floor/Resistance
 - o 4.05
 - o 4.12
 - o 4.19

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	4.304%	+0.032%
2 YR	3.989%	+0.026%
30 YR	4.602%	+0.011%

5 YR

4.080%

+0.029%

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