# MBS & TREASURY MARKETS

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# MBS Recap: Bonds Give Up AM Gains After Powell Speech



Randy Vance Founder/CEO, Boss Mortgage, LLC

www.bossmortgage.com **P**: (541) 799-2677 **M**: (541) 280-8294 randy@bossmortgage.com

304 NE 3rd Street Bend OR 97701 NMLS #1455628 OR, WA, ID, CO, MT, CA Company NMLS 2547821



# 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).

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Watch the Video

#### 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

| Aler  | t in the second s |                   |  |  |  |  |  |  |
|---|---|-------------------|--|--|--|--|--|--|
| 12:57 PM MBS Down an Eighth From Recent Highs   |   |                   |  |  |  |  |  |  |
| Alert |   |                   |  |  |  |  |  |  |
| 1:37 PM   | Negative Reprices Beco  | oming 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")
  - **4.57**
  - **4.50**
  - **4.40**
  - **4.34**

#### - Floor/Resistance

- · 4.05
- ° 4.12
- **4.19**



### **MBS & Treasury Markets**

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| 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% |  |  |  |
|               |        |         |  |  |  |



