

MBS & TREASURY MARKETS

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MBS Recap: Data Dependence is Back, But Not in A Fun Way



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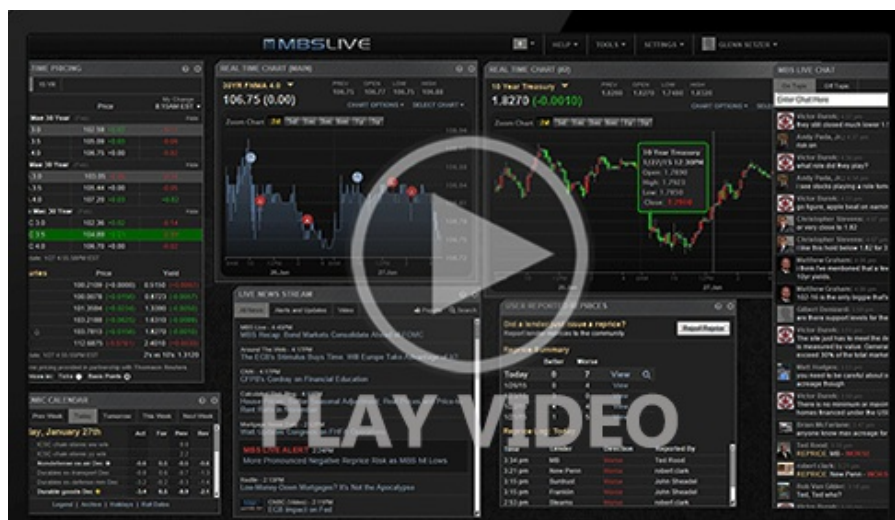
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Data Dependence is Back, But Not in A Fun Way

MBS Recap | Matthew Graham | 4:17 PM

Bonds definitely paused their long term relationship with economic data in wake of the tariff announcement in early April, which was logical given the headline-drive volatility and uncertainty. 2 weeks ago, the connection looked to be returning. Now over the past 2 days, it's back with a vengeance. It's not that any of the data has been stunningly strong, but it's been much better than what some market participants were prepared to see. Friday's jobs report is the 2nd time in 2 days where traders have been able (or forced?) to reconcile their more dire fears with a less dire reality. Translation: higher stocks, higher yields. More big ticket data on the way on Monday...



Alert

8:32 AM First Move is Weaker After Higher Payrolls

MBS Morning

10:29 AM Reasonably Strong Jobs Report. Reasonably Weak Reaction in Bonds

Alert

11:37 AM Down More Than an Eighth from 10am Levels

3:42 PM

Econ Data / Events

- ○ Nonfarm Payrolls
 - 177k vs 130k f'cast, 185k prev
 - last month revised down from 228
- Unemployment Rate
 - 4.2 vs 4.2 f'cast, 4.2 prev
- Participation rate
 - up 0.1% (bad for bonds)

Market Movement Recap

08:36 AM Losing some ground after jobs report. MBS down about an eighth and 10yr up 5.5bps at 4.271

11:31 AM More selling. MBS down just over a quarter point and 10yr up 8.8bps at 4.305

12:06 PM More weakness. 10yr up 10.6 bps at 4.323. MBS down 9 ticks (.28).

03:57 PM Off the weakest levels, but still weak. MBS down a quarter point and 10yr up 9.3bps at 4.31

Lock / Float Considerations

- Friday's jobs report reiterated the bond market's re-connection to big ticket economic data, even if the example was an unpleasant one. The recent range suggests there's room to move in either direction

depending on data, and Monday brings another big ticket report. Translation, risks remain higher than normal with respect to floating.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
 - o 4.64
 - o 4.48
- Floor/Resistance
 - o 3.99
 - o 4.05
 - o 4.12
 - o 4.19
 - o 4.34
 - o 4.40

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	4.306%	+0.089%
2 YR	3.823%	+0.122%
30 YR	4.789%	+0.068%
5 YR	3.915%	+0.102%

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