MBS & TREASURY MARKETS

Daily Coverage. Industry Leading Perspective.

MBS Recap: Bonds Circle The Wagons Ahead of High Risk NFP



Black Diamond

Mortgage Brokers, Black Diamond Mortgage Corporation

www.blackdiamondmortgage.com P: (406) 862-4999

307 Spokane Ave Whitefish MT 59937 209137



Bonds Circle The Wagons Ahead of High Risk NFP

MBS Recap Matthew Graham | 3:39 PM

The consensus for tomorrow's NFP (nonfarm payrolls, the principal component of the big jobs report) is 110k--not much of a downgrade from last month's 139k. The bond market has recently been trading as if it expects to see an even lower number--a fact that's not too surprising given the preponderance of other data that suggests a weaker labor market in June. The latest in that list was today's ADP employment report which completely whiffed (-35k vs 95k f'cast). Bonds initially rallied on that news, but didn't maintain the gains, possibly due to all of the preemptive rallying already in place over the past 2 weeks, and possibly because ADP is notorious for paradoxically diverging from NFP on any given month despite broad long-term correlation. Today's weakness was minimal in the bigger picture and could just as easily be viewed as part of a 2-day process of circling the wagons (pausing and modestly correcting a prevailing trend on the eve of high-consequence data).

			MMBS	LIVE	101 -				GLOWN NETS	
INC FROM	6	0.0	HEAL THE CHART MANE	•	REAL THE CO	NAT (KD)				MESLIVE OWN
			STREEMALS *	104.75 104.07 104.75 104.84	10 Year Trees	ww *				COTON OF THE
	Prop	Ny-Dame	106.75 (0.00)	CHARTOTTONS+ INJECTIONAT+	1.8270 (-				CONCORDER 1	Gen Outries
Hat 10 Year (Pain		Annual Control and State State State State State State		Inter Oat	Doors Chart 20 THE THE THE THE THE THE THE				The second second second second	
	10108-010			100.04						Andy Facin, day 1 - 1
	10675-680							18 Fear Louis	2011 2011	
						2.0	Actor	NAMES AND D	0% A.	Contra Daraho Linuan Bartan T
	10.00		11.46	•	1.000	1	0			Andy Parks, All Column
19	10104-008			111 A 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	112 1			High: 1,7423 Low: 1,7828	100	2 rand stocks playing a nim to
			- U. Mar. (The second se				Owner, 1 July		The first Decrete, a strainer
Mar Di Tear										
	NO 36 1010			The second se				1.0	10 M	Christopher Elevantel + 17 -

© MBS Live, LLC. All rights reserved. This newsletter is a service of MBS Live.



Watch the Video

Update

8:23 AM Bonds Erasing Overnight Losses After Sharply Weaker ADP

MBS Morning

9:54 AM Bonds Think About Rallying on ADP Data, But Already Getting Cold Feet

3:14 PM

Econ Data / Events

ADP Employment
-33k vs 95k f'cast, 29k prev

Market Movement Recap

- 08:27 AM slightly weaker overnight but erasing losses after ADP data--at least in the shorter end of the yield curve. MBS now unchanged. 10yr up 4bps at 4.279, but 2yr is down 1.7bps.
- 09:15 AM Back down to weaker levels. MBS down 5 ticks (.16) and 10yr up 5.3bps at 4.292
- 12:46 PM Holding at 5 ticks (.16) weaker in MBS. 10yr now up 6.4bps at 4.303
- 03:10 PM Off the weakest levels in Treasuries with 10yr now up only 4.8bps at 4.288. MBS down an eighth.

Lock / Float Considerations

The past two trading sessions have effectively circled the wagons on the trail that has led 10yr yields from 4.4+ on June 20th to 4.2 yesterday morning. Even after accounting for the modest correction,

there's still some asymmetric risk heading into Thursday's jobs report. Specifically, a purely as-expected result would still run the risk of pushing rates higher, all other things being equal. Either way, this is a high-consequence installment of the jobs report, with plenty of potential for a reaction in either direction.

Technicals/Trends in 10yr (why 10yr)

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

MBS & Treasury Markets



15YR UMBS-15 5.0

US Treasuries				
10 YR	4.290%	+0.051%		
2 YR	3.788%	+0.011%		
20 VP	/1.821%	+0.053%		

© MBS Live, LLC. All rights reserved. This newsletter is a service of MBS Live.

	7.021/0	0.000/8
5 YR	3.871%	+0.031%

Open Dashboard

Share This