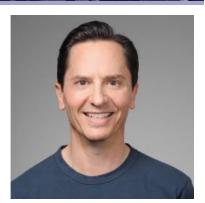
MBS & TREASURY MARKETS

Daily Coverage. Industry Leading Perspective.

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



Julian Hebron Founder, The Basis Point https://thebasispoint.com/ San Francisco CA



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).

	a paragra a				
			MMBSLIVE	🕅 * 100.1 * 100.1 * 100.0 * 🛄 60.000.003	
100.000	iciwa	0.0	TREAL TIME CHART (MAIN)	0 (HEAL THE CHART (K)	MES LIVE OWT
11.18			STATISTICS AND THE PART OF A STATE AND	10 Year Departury - Pilly Stree Life (with	COLOR OF MAR
		No-Charge	106.75 (0.00) 101.75 101.75 101.05 101.08 (new#1 periods - \$10.05 000#1	. 1.8270 (-0.0010) Love Love Love Love	See Outries
Not 10 Ye			Joint Charl 24 THE THE THE WAY THE THE THE	Anna Charl Mr. That That That That That That	The second second second second second
	100 100 101	101			Anty Parls And Lot
					And an
			•	Hite Incore	Con Pictor Danks Lines
Net 10 Te		144	1.1.1	a destant and the second secon	Carl and have did from play?
38	10.01		1.00.		The state fails, doi: 10.00
	10144-030			1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	The second starts a second
48				Sec. 1984	an town apple beat or nam
C30 8036-000 804					INTER Charlester Street, all'
635	No. of Concession, Name				The arvey does to 182
0.4.8	100.70 -0.00			MON 1	Christianer Verenne - 17 -
	IS MANY OF				Wetthew Graham, 1 11 pr
-	Page	-	the state of the s		💐 Libra fee mentioned that all
-	100,2109 (14,0000)		Long to the second s	 A sign of the state of the stat	10y parties
	100,0078 (10,000)	84723 (19967)	CLINE MEN'S STREAM		10 10 a Re orb byge Re
	NAME AND ADDRESS OF	1,100 14 1010		COLUMNOS COLUMNS	Collect Designed, 1 street
		Labora in Longs		The second secon	are Bern apport much for I
		LAURI MARTIN	With Recar Deel Waters Considers Advanta/ONC	Def a lander of source a reprice? Reput Reprint	The barrier barrely 110 per
		2 all the particular			The site just has to need the is measured by value. Gene
an of character 24 m Mile 1200		21 m 101 1 3120	Avoid the Max & Units The COT's Demoks Turns Times Will Europe Takes A Name and all	Taptite Ponnay	encoded 50% of the loter mark
ne pring providel is performing with Themanik Rouleva News In: Tata • Real Parts •			CAR ALTER	Today 8 7 Vers 0	West Diselption 117 per

© 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



30YR UMBS 5.5 30YR UMBS 6.0 30YR GNMA 5.5 15YR UMBS-15 5.0

US Treasuries					
10 YR	4.290%	+0.051%			
2 YR	3.788%	+0.011%			
30 YR	4.821%	+0.053%			
5 YR	3.871%	+0.031%			

Open Dashboard

Share This