MBS & TREASURY MARKETS

Daily Coverage. Industry Leading Perspective.

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



Philip Bennett President, Bennett Capital Partners Mortgage Brokers

bcpmortgage.com P: (800) 457-9057 M: (305) 407-0747

1101 Brickell Ave STE 800 Miami FL 33131 Pers# 1098318 Corp# 2046862



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).

			MMB	SLIVE	E ·	104.5 • MTINGS • 🚺 GLOW MT	
INC FROM	6	0.0	HEAL THE CHART MANE		REAL THE CHART HOT		MES LIVE OWN
12.18			STREAMAN		10 Year Treasury *	AND OTHER LOW MOR	101201 01144
	Pere	No. Change	106.75 (0.00)	DAUS DAUY DAUS DAUS Dear DEVICE - DELECTIONST -	1.8270 (-0.0010)	LOSE LODE CHEE CODE	Ger Out Text
Not 10 Year		Annual Court 24 THE THE THE WE THE THE THE		Just Date M THE THE DIS NOT THE THE THE		and the local started	
18 -	NO M LOST		Annual test and the last	10.14	Trave Chart 18 THE THE	The sector in	They still closed much lower
8.8	10108-0101						Anty Parts, July 1.1 11
4.0	1067514580					10 Fear Descerve	Con state Danke Linger
the 10 Year			17	10.00		100/05123094	and non-the bay you?
3.0	10.01.000	104	11.00	•	0.00	Open 17410	Anto Parts And State
	10104-008		Million I	THE REAL PROPERTY.		Nac 17521 Loc 17528	These stocks proving a rule 1
	10729-1111					Charles States	The bar Darake 1 in sec.

© 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 lune 20th to 4.2 vectorday 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 Live, LLC. All rights reserved. This newsletter is a service of MBS Live.

30 YR	4.821%	+0.053%
5 YR	3.871%	+0.031%

Open Dashboard

Share This