MBS & TREASURY MARKETS

Daily Coverage. Industry Leading Perspective.

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



Ray Evans Loan Officer, Element Home Loans

www.Elementhl.net P: (470) 481-3947 M: (770) 309-2155 rayevans@elementhl.com

326 Lake Forest Drive Newnan GA 30265 218350



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 | SLIVE | B * | 104.5 • STINGS • 🔲 GLOW HT | |
|-------------|-------------|--|---------------------------|--|-----------------------|-----------------------------|-------------------------------|
| INC PROP | # \$ | 0.0 | HEAL THE CHART MAN | 0.0 | REAL TIME CHART (K) | | MES LIVE OWN |
| 12.18 | | | STREET, SALES | 106,75 106,77 106,75 106,88 | 10 Year Theory * | Anto the the star | COLUMN OF MAN |
| | ina . | A TONNE OF | 106.75 (0.00) | | 1.8270 (-0.0010) | Care Care Care Care | Gran Qualities |
| War 10 Year | | June Charl 24 THE THE THE THE THE TYPE THE | | Zoon Chart M THE THE THE THE THE THE THE | | the loss Darrow, a strategy | |
| | 102108-001 | | Store from a fee the line | 10.14 | THE OWNER AND THE THE | Dest See (19) (54) | Twy still (house) much lower |
| 18 | 10108-00100 | | | | | | And Parks, Prov. 1 and |
| | 10675-680 | | | | | 18 Fear Decemp | Con pictur Darak () and |
| | | | | 10.00 | | A 100/05 12 30% | Trans and the set and the |
| 18 | 10.01 | 1004 | 1145 | | 1000 | Open 1/414 | AND AND PARA ACCUMAN |
| | 10144-010 | | | THE REPORT OF A | 12 M 100 | 1000 1.7500 | Tant stocks playing a role it |
| 4.0 | 10720-000 | | | | | Charles and the second | The state Darks, 1 17 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 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