MBS & TREASURY MARKETS

Daily Coverage. Industry Leading Perspective.

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



Dan Williams Executive Vice President emmloans.com

P: (800) 793-9633 x198 M: (609) 923-9752

1950 Route 70 East, Suite 300 Cherry Hill NJ 08003



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).

		MMBSLIVE		11 · ····			
THE PROVE	0.0	REAL THE CHAIT MAN	0.0	HEAL THE CHART (R)			MES LIVE OWN
	No Change	100 75 (0.00) 10.75	VIS LINE MOR UR.77 106.75 106.88	1.8270 (-0.0010)		nter UKDA Devertorreten and	Different Collingen Erier Onderhore
Not 10 Year / Feet		June Charl 20 THE THE THE THE THE THE THE		Anna Chart and The The The Net The The The		The set of	
55 TOT 00 - 1			In H				Andy Paulo, dr. (+ 1 + +
AD SOLTAND				and the	Parties Inco		The form the set of the set of the
38 10.05			A second	A.C. S.	Open: 1,7836 High: 1,7870		The state frate, and a state to
35 100.000-000 48 107.20 -1		William Million		1 1 W 1	Low 17958	. W	Part Parts Darres
Mar 20 Tear /						_r	
			Contraction of the local division of the loc			C	Christopher Einennei + 11 -
		T TAP			Tere.	1	Christianer Sevena 117 -
248 10679-01		10			TV N		The line has been being 1.87 for
an of column of		See to obtain the state	alar a second				Reflece Gruham 111 or
100,2109 (-6.1		CLIVE NEWS STREAM				11.000	Bathers Costant

© 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

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

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

- o **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%			

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

Open Dashboard

Share This