## MBS & TREASURY MARKETS

Daily Coverage. Industry Leading Perspective.

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



Drew Stiegemeier Mortgage Banker, Frontier Mortgage frontierhomemortgage.com/drew P: (636) 898-0888 M: (618) 779-7507 1406168



### 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		1 + HOF - HOLS - MILLINGS - 1 GLOW STA				
THE PROPERTY		0.0	REAL TIME CHART (MAN)	0.0	REAL THE CHART (40)			MES LINE OWN
1.18			STREAMAN *		10 Year Treasury *			COLUMN STAR
		No Change	106.75 (0.00)	THE PARTY THE PA	1.8270 (-0.0010)		CALOR Development in 1904	Gen Out The
Red 18 Year' / Fee		June Card 24 THE THE THE WAY THE THE THE		Town Coast IN THE THE THE NEW YOR THE THE		They all threads a strain		
		191						
								And Parks, St. C. C. St.
					and the second s	10 Feat Trace		Contra Dank Lines
Real (1) Trease			100	114.14		URIVER DA	10 Ar	Carlos Danale
	10.01		E 140	Sector Inc.		High 1,7523		And And Parks, All a Mark
	100.441-0.00					Lew 1,7858	100	These studie playing a role b
40			1 U 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0					an tore, apple beat or ear
Red Do Tree of								Christopher Eposen ( 117
								ar way down to 1 M?
				A STATE OF THE OWNER		ALC: N		Christianer Versena 117
								The loss has been being 1.87 to
			Section 2 and a section of the	- 100 - 100				Matthew Grahami + 11 pro
eten .				Pine .	1			The sectored hat a
	0.2109 218 80003				-			Balling Graham a low

© 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

- **3.99**
- ° **4.05**
- · 4.12
- **4.19**
- **4.34**
- · 4.40

#### **MBS & Treasury Markets**



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

**Open Dashboard** 

Share This