## MBS & TREASURY MARKETS

Daily Coverage. Industry Leading Perspective.

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



Ethan Brooks Mortgage Advisor / Branch Manager, Fairway Mortgage

ethanbrooks.mortgage M: (414) 488-0438

11220 W Burleigh St Wauwatosa WI 53222 1639987



### 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 Alama ar san yang ang ang ang ang ang ang ang ang ang			- Baldanin energy and a strategic literation of							
		MBSLIVE		10.P *				GLOWE SCHOOL -		
THE PROP	<b>4</b> 5	0.0	REAL THE CHART MANE	0.0	REAL TIME ON	NT (10)				MES LIVE OWNT
12.18			DEPERTONNAL ST	PRO 0705 LOS MOR 106.75 106.77 106.75 106.88	10 Year Treas	- T		MARK LOW		101201 011es
	Pro-	No-Charge B TOWN LST -	106.75 (0.00)	CHARTOTIONS+ SEACTOWET+	1.8270 (-0.0010) table table trans			Concorners so	Enter Challman	
Not 18 Year' 1' Part			Anna Charl MA THE THE THE THE TWO THE		June Cost IN THE THE THE THE THE THE THE				They all found they been	
	NUMBER OF STREET	100		10.14						Andy Facility, doi: 1.17 or 1
	10675-680					1		18 Feat Local		
ine (10 Total)				10.00		2.	.A.+	1,07,1810.3		Carlos Darate
3.8	165 M - C - C		11.05	•	1.0.0	<b>S</b> 1 -	2	Open: 1,7836		A REAL PROPERTY AND A REAL PROPERTY.
15	10144-0.00		I MARINE I	THE REAL PROPERTY AND ADDRESS	12.31			High: 117521	100	The set shots playing a role to
4.0	10720-1111		1 lk 100 l					Out 1,700		The Low Darmale, 1 17 years
Real Print										and an Apare, apple beat of ear
				and the second se		_		1	100	Christopher Kinyseni + 17 :

© 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**



15YR UMBS-15 5.0

US Treasuries						
10 YR	4.290%	+0.051%				
2 YR	3.788%	+0.011%				
20 VP	/1.821%	+0.053%				

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

	7.021/0	0.000/8
5 YR	3.871%	+0.031%

Open Dashboard

**Share This**