Daily Coverage. Industry Leading Perspective.

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



Michael DiLucchio Mortgage Lender, Guild Mortgage 4403 N Central Expy Dallas Tx 75205 1638482

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	🛄 * 10.0 * 100.5 * 100.5 * 🛄 GLOW	
THE PIECHS 0.0	TREAL TIME CHART (MAIN)	0 0 REAL TIME CHART (40)	MES LIVE OWT
na state	106.75 (0.00)		Enroutine
No. 10 Year No. 3.0 No. 30 No. 30 3.1 No. 30 No. 30 4.2 No. 30 A00 4.3 No. 30 A00 4.4 No. 31 A00 A00 10 Year A00		Anno Carel dat Date that that that that the first	Parties and the second
38 909 (0 99) 33 954 499 49 48 902 10 40 10 21 10 10 10 21 10 10 10 10 10 10 10 10 10 10 10 10 10 10 10 10 10 10 10		and the second s	Andy Fands, A.C. S.
DS NAME TO Digit L42 NR/10 + 0.00 HEE NR 101 FER MARKET HEE HEE			Construction in 112 Construction Construction Construction Construction Construction
1962/99 (-4.000) 6.0116 -4.0001 9668/9 (-4.000) 6.0129 (-4.001) 9628/9 (-4.000) 6.0129 (-4.001) 9529/9 (-4.000) 6.000 (-4.001) 9529/9 (-4.000) 6.019 (-4.000) 9729/9 (-4.000) 6.019 (-4.000)	AND MORE STREAM The area stream and Mark and and area stream Mark and and Mark and		Matthine Gottane, c. is an NO his a free anty legge fre General Denimed. Litrari are there respect services for 1 Within Free respect services.
an 127 a la conversió na principaneste la partenesta alla Tananan Renten marias: Tata 🌒 Rein Parte 🌒	Average Tax and a UNIV The ECEN Distriction Trans. Hill Europe Takes. Compared a One + CINN OTVEN Conference on Filmmend Education	Terlay 6 7 View Q Upon 1 4 View	In Processor by which form exceed to be of the blat had Work Redgess and the same processor is the careful atom arrange Reliage
MICOLINOVI O Parma International Sectors	THE R PROPERTY AND A DESCRIPTION OF A DE	VIDFO	The for Durack I in an Durac & the Resemption of Real Duraces Banked under Real Duraces Banked under Real Duraces Banked under Real Duraces Banked Stress Real Actions
City chair strates are also City chair strates provide Excellence on an Dec 8 44 44 44 44	MES LOVE ALLOW THEY More Pronounced Negative Reprice Risk as MOS M Lows	Line Contra Contraction	The first titles and the second secon

© 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

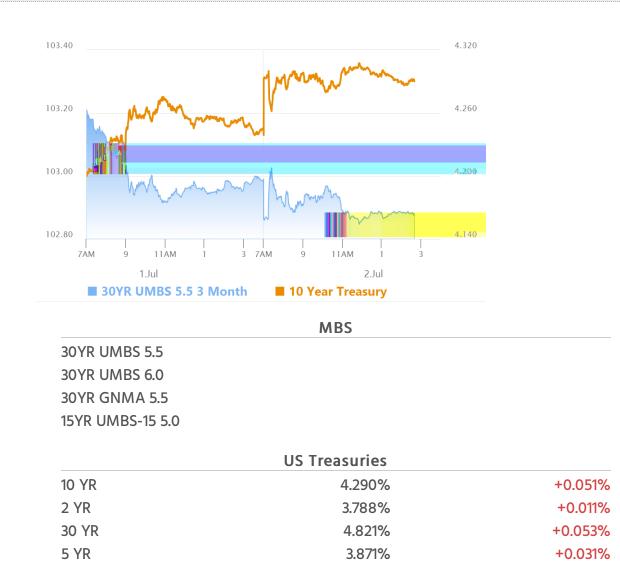
- 08:27 AM slightly weaker overnight but erasing losses after ADP data--at least in the shorter end of the yield curve. MBS now unchanged. 10yr up 4bps at 4.279, but 2yr is down 1.7bps.
- 09:15 AM Back down to weaker levels. MBS down 5 ticks (.16) and 10yr up 5.3bps at 4.292
- 12:46 PM Holding at 5 ticks (.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

Open Dashboard

Share This