MBS & TREASURY MARKETS

Daily Coverage. Industry Leading Perspective.

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



Anna & Marc Prorates INC. www.prorates.com/mortgage-new s-letter P: (888) 776-7285 prsales@prorates.com PO Box 475448 San Francisco CA 94123



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 fcast). 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		M * 40					
INC PROP	πù	0.0	NEAL THE CHART MAN	0.0	REAL TIME CHART OF	0		1000	MESLINE OWN
15.18				HILL SHER LINE HERE SHEATS SHEAT THEATS SHERE SHOW OFFICIES - BELET SHAFT -	No Tracking ♥ max beam of the start max beam of the start <thmax beam="" of="" start<="" th="" the=""> max</thmax>				COLOR OF SHE
		Ny-Change RYSAM LST -	106.75 (0.00)				CHART OFTICAL ST	Gran Chat There	
Res 10 Year' 11-			Junction IN THE THE PARTY	NAME AND TAXABLE ADDRESS OF TAXABLE ADDRESS	Jose Data M THE THE THE THE THE THE THE			They all character and the server 1	
				108.04	And the second second second				
									And Parks, Aug. 1
							18 Feat Treas		Con exter Darak + hore
fee (ill Tear			100	104.04	1.00		Carene 1,7454		and non-delivery pay?
	10.01		1140	Section 199		- C	High 1 PALL		Real Room, March 1999
	10144-010						Low 1.7858	2 M 2	The state playing a role for
•0			1 U 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0						The barrier of the second seco
Rei 30 Tear							-		Christopher Kirversi, 117
									or very close to 1.82
	104.88 -1111		I IN I	a transmission			ALC:		Christianer Verstein 117
									The ball of being 1.4) for 1
			the first day 1 which	- Con 1 - 1967					Butthew Grahami and pro

© 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

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

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.

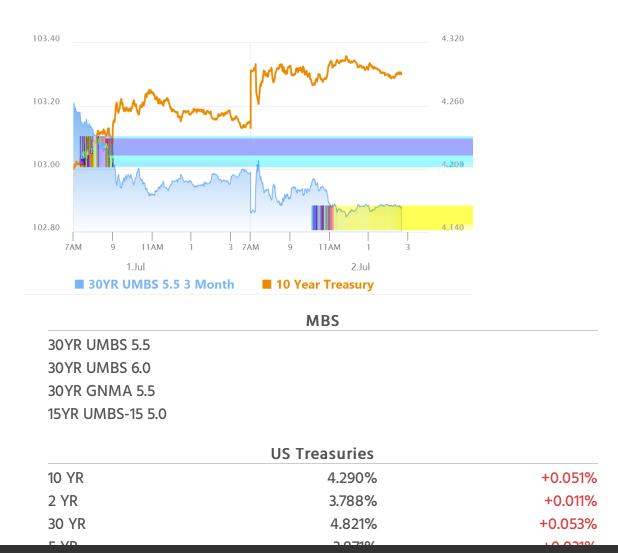
Technicals/Trends in 10yr (why 10yr)

- 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



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



Open Dashboard

Share This