MBS & TREASURY MARKETS

Daily Coverage. Industry Leading Perspective.

MBS Recap: Big Market Reaction but Mortgages Outperform



Keith Dabols Account Executive, Community Wholesale Lending

https://www.cwlend.com M: (909) 908-9352 keith@cwlend.com

8270 Aspen Ave. Rancho Cucamonga California 91730 ML Mortgage Corp. dba Community Wholesale Lending ("CWL") NMLS362312



Big Market Reaction but Mortgages Outperform

MBS Recap Matthew Graham | 3:25 PM

Today's jobs report would have been bad for rates if it was even in line with expectations. After it came out stronger than expected (especially in terms of the unemployment rate at 4.1 vs 4.3 f'cast), it was off to the races for bond sellers. The short end of the yield curve has the most in common with Fed rate expectations, so it took the most damage, but MBS fared far better. Perhaps that has something to do with the government not issuing MBS to fund the just-passed spending bill or perhaps it is a nod to next week's uncertain levels of demand for the scheduled Treasury auctions. Either way, we won't complain. Friday is closed for the holiday, and next week may as well be a holiday because everyone's waiting for July 15th CPI.

e anna an an an	am ta ba m						- 34				
			MMBS	LIVE		101-				aces see	
Incident	6	0.0	BEALTINE CHART MAIN		0.0	EAL THE OW	NT (40)			1000	MES LIVE OWN
12.18			STREET, BARRAR W	PROF OFFICE LOW MORE \$196,75 \$196,77 \$196,75 \$196,88		a text these	- Th				101203 011e4
	Pro	And the second	106.75 (0.00)	Creat Officer + BOACT CHART+		1.8270 (-0.0010)		LOW LOT CHE LOW		Gran Chutchere	
Not 10 Year		Fait	Junction 24 Dill 24			Inne Oast	-	the loss the	1991		They all downed much lower 1
38 55	10108-010										Andy Parks (A.)
AD Max (0 Taxes -							S.,		10 Fear Treasure International Statements		The first the set of the start
3.0	10.00	794	1118			1.1	1	200-00	Open: 1,7830 High: 1,7821		AND AND PARK ACCORD
	101.44.10.00		The second			8 YL				100	The same starts playing a rain form
AD Mar 10 Team					6 H I				Ocean 1 7 Hos		The ter Exercise of the second
130	100 00 1010						_			1	Christopher Karperni + 17



Watch the Video

Alert

8:33 AM Bonds Selling Off After Stronger NFP

MBS Morning

10:23 AM Jobs Report Comes in Stronger. Bonds React Logically

3:14 PM

Econ Data / Events

- Nonfarm Payrolls
 147k vs 110k f'cast, 139k prev
 - Unemployment rate
 - 4.1 vs 4.3 f'cast, 4.2 prev

ISM Services

- 50.8 vs 50.5 f'cast, 49.9 prev
- prices: 67.5 vs 67.7 prev
- employment: 47.2 vs 50.7 prev

Market Movement Recap

- 09:14 AM Sharply weaker after jobs data, but recovering somewhat. MBS down an eighth of a point and 10yr up 5bps at 4.33
- 02:24 PM Very flat after AM sell-off, and now closed for the day. MBS down 6 ticks (.19) and 10yr up 6.7bps at 4.347

Lock / Float Considerations

Asymmetric risk was the right call heading into Thursday's jobs report. It didn't take a big beat to prompt a big sell-off. 10yr yields of 4.34% are right in line with the lower end of the range that was in place until June 24th. This may lessen the urge of the market to follow through on Monday, but follow-through is always a risk after a big NFP-driven move. All that having been said, the coming week is more of a placeholder ahead of the July 15th CPI data. From a pure strategy standpoint, the fact that rates didn't rise any more than they did on jobs report day presents a compelling lock opportunity for both risk tolerant and risk averse clients (something we almost never say).

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

US Treasuries								
10 YR	4.347%	+0.067%						
2 YR	3.883%	+0.095%						
30 YR	4.863%	+0.055%						
5 YR	3.937%	+0.070%						

Open Dashboard

Share This