MBS Recap: Bond Traders Quickly Revise Their Bullishness

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Bond Traders Quickly Revise Their Bullishness

MBS Recap Matthew Graham | 5:06 PM

"Revision" is the word of the day as every armchair economist struggles to understand how the NFP revisions could be so big. Given that it's not 2020 or 2021, today's revisions were indeed on the large side (those years were MUCH larger... 2021's average NFP revisions was 159k). It speaks to a marked deterioration in the labor market or some limitation in BLS manpower/funding or methodology. Either way, markets traded it in a massive way. 2yr yields (more closely linked to Fed Funds Rate expectations) fell almost 30bps! Mortgage rates are back to mid October levels.

Watch the Video

Update

8:35 AM Huge, Instant Rally After Appallingly Low Payroll Count/Revision

MBS Morning

11:58 AM Big Old Rally After HUGE Downward NFP Revisions

3:55 PM

Market Movement Recap

08:56 AM Massive rally after NFP. MBS up half a point. 10yr down 10.6bps at 4.265

12:21 PM Rally continues. MBS up 18 ticks (.56) and 10yr down 13.4bps at 4.237

05:05 PM Stunning near-30bp rally in 2yr yields. 10yr down 15bps at 4.22 and MBS up nearly 3/4th of a point.

Lock / Float Considerations

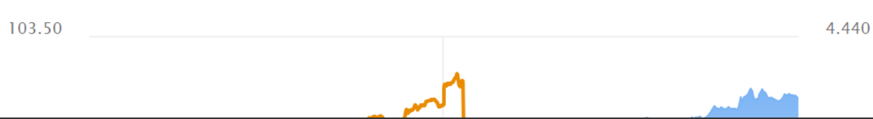
- Days like Friday are why we always warn that NFP can cause a huge reaction in bonds. This one was great. Follow through precedent is variable, but the Mondays after these kinds of Fridays err slightly on the bullish side (though not enough for a risk-averse person to change their mind on locking). The lowest rates since mid October indeed present a compelling lock opportunity.

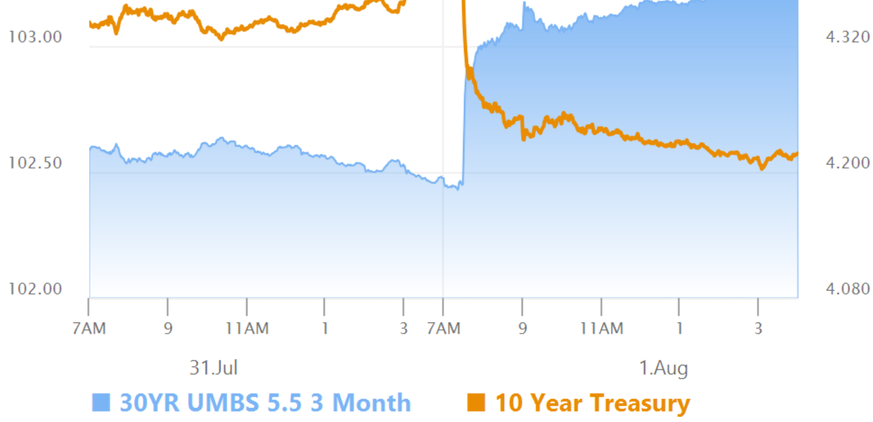
Technicals/Trends in 10yr (why 10yr)

- 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

30YR UMBS 5.5	+
30YR UMBS 6.0	+
30YR GNMA 5.5	+
15YR UMBS-15 5.0	+

US Treasuries

10 YR	4.219%	-0.152%
2 YR	3.682%	-0.273%
30 YR	4.822%	-0.075%
5 YR	3.754%	-0.216%

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