

MBS & TREASURY MARKETS

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MBS Recap: Bonds Positioning For Weaker Jobs Report?



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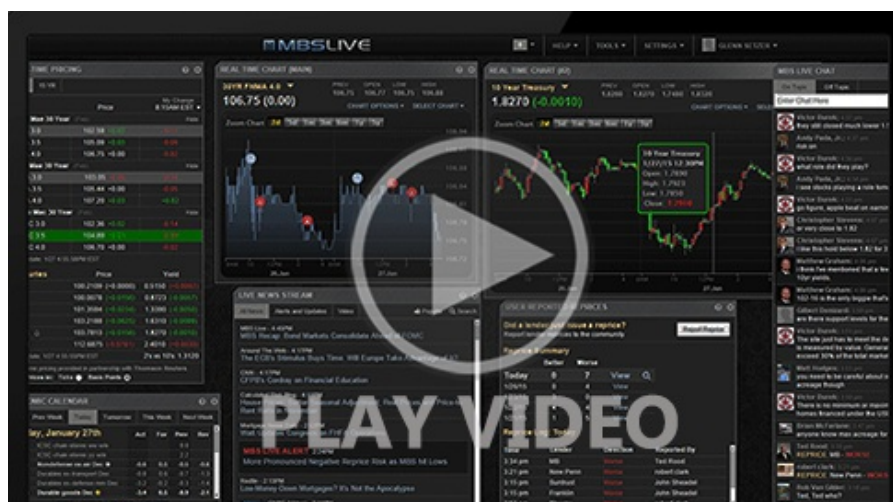
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Bonds Positioning For Weaker NFP?

MBS Recap | Matthew Graham | 3:53 PM

One of the best things to understand about the jobs report is that the payroll count can go BIG in either direction, regardless of what the other data or labor market trends have been suggesting. Today's data suggested a predictable level of labor market weakness. This isn't something that would guarantee a bond rally, but that's nonetheless what happened. Rather than think of this as a "lead-off" or bonds getting in position for a weaker NFP, it's more accurate to treat such moves as a simple circling of the wagons as traders exit previously held positions to get neutral ahead of a high risk event. The movement in the yield curve is a solid clue here as it had steepened to what are essentially the highest levels since early 2022 by Wednesday morning and has been correcting ever since (correcting = 10s and 30s doing better than 2s and 3s). All of this is much ado about nothing. The point is as boring as it is true: bonds can rally or sell on Friday at a pace that's only really limited by the size of the beat/miss in the data.



MBS Morning

10:32 AM Mixed Data. Mixed Reaction

3:32 PM

Econ Data / Events

- ○ ADP Jobs
 - 54k vs 65k f'cast, 104k prev
- Jobless Claims
 - 237k vs 230k f'cast, 229k prev
- Continued Claims
 - 1940k vs 1960k f'cast, 1944k prev
- ISM N-Mfg PMI (Aug)
 - 52.0 vs 51 f'cast, 50.1 prev
- ISM N-Mfg PMI (Aug)
 - 52.0 vs 51 f'cast, 50.1 prev
- ISM Services Employment (Aug)
 - 46.5 vs -- f'cast, 46.4 prev
- ISM Services Employment (Aug)
 - 46.5 vs -- f'cast, 46.4 prev
- ISM Services New Orders (Aug)
 - 56.0 vs -- f'cast, 50.3 prev
- ISM Services New Orders (Aug)
 - 56.0 vs -- f'cast, 50.3 prev
- ISM Services Prices (Aug)
 - 69.2 vs -- f'cast, 69.9 prev
- ISM Services Prices (Aug)
 - 69.2 vs -- f'cast, 69.9 prev

Market Movement Recap

08:15 AM Limited reaction to ADP data, but no bad reaction. MBS up an eighth and 10yr down 3.6bps at

Limited reaction to ADP data, but no bad reaction. MBS up an eighth and 10yr down 3.5bps at 4.183

10:02 AM Off best levels after ISM data. MBS up 3 ticks (.09) and 10yr down 2.4bps at 4.193

11:50 AM Sideways drift continues. MBS up an eighth and 10yr down 2.8bps at 4.19

03:04 PM Best levels of the day with MBS up 6 ticks (.19) and 10yr down 4.6bps at 4.171

Lock / Float Considerations

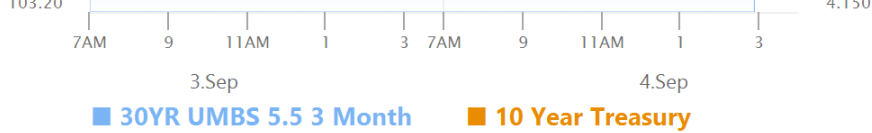
- Any day with rates at longer-term lows (such as Thursday) is a compelling lock opportunity for risk-averse clients. The string of victories enjoyed by any risk-tolerant client that's been floating for more than a few days is also more compelling than normal considering the risks presented by the jobs report. As always, big moves in either direction are possible.

Technical/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
 - o 4.64
 - o 4.48
 - o 4.40
 - o 4.34
 - o 4.28
- Floor/Resistance
 - o 3.99
 - o 4.05
 - o 4.12
 - o 4.19

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	4.163%	-0.054%
2 YR	3.587%	-0.030%
30 YR	4.859%	-0.038%
5 YR	3.645%	-0.048%

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