

MBS & TREASURY MARKETS

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MBS Recap: Decent Gains Remain Intact; Stock Market Contribution is a Wild Card



Jeff Statz

Mortgage Banker

P: (608) 301-5112

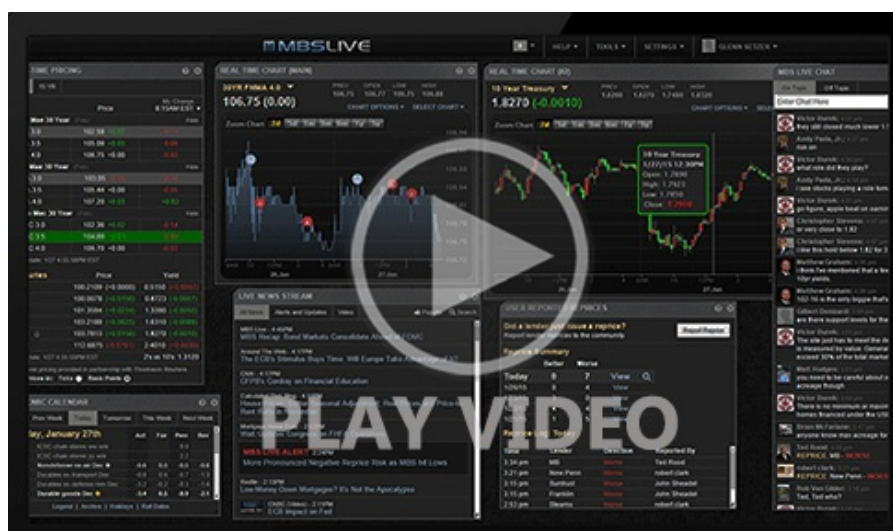
jeff@statz.us

My NMLS: 36442

Decent Gains Remain Intact; Stock Market Contribution is a Wild Card

MBS Recap | Matthew Graham | 4:20 PM

The rescheduled release of the September jobs report played out exactly as we expected in terms of bond market impact. Volumes surged to the highest levels since the late October Fed announcement and bonds managed a clear response in spite of arguably mixed results. That said, the response was still logical given the Fed's stated preference for the unemployment rate over the payroll count. One could imagine an even more decisive rally if NFP was low or negative (or if the unemployment rate was another 0.1% higher). The AM rally may have fizzled out by 10:30am if not for another sizeable sell-off in stocks. This is a bit of a wild card going forward (i.e. we have to worry that a big correction in stocks could push yields higher).



Update

8:34 AM Mixed Signals in Jobs Data; Bonds Holding Ground

MBS Morning

9:19 AM Mixed Reaction to Mixed Jobs Data

4:00 PM

Econ Data / Events

- ○ Non Farm Payrolls (Sep)
 - 119K vs 50K f'cast, 22K prev
- Participation Rate (Sep)
 - 62.4% vs -- f'cast, 62.3% prev
- Philly Fed Business Index (Nov)
 - -1.7 vs -3.1 f'cast, -12.8 prev
- Philly Fed Prices Paid (Nov)
 - 56.10 vs -- f'cast, 49.20 prev
- Unemployment rate mm (Sep)
 - 4.4% vs 4.3% f'cast, 4.3% prev

Market Movement Recap

08:34 AM MBS up 2 ticks (.06) and 10yr down 1.7bps at 4.121

11:50 AM Best levels of the day with MBS up 6 ticks (.19) and 10yr down 3.5bps at 4.103

03:10 PM MBS up 5 ticks (.16) and 10yr down 3.3bps at 4.105

Lock / Float Considerations

- The jobs report has come and gone with no fanfare and no attempt to challenge either boundary of the prevailing range. Risk/reward is lower heading into tomorrow, but it's always worth remembering that Thanksgiving weeks can be irrationally volatile due to varying levels of participation/liquidity. Rescheduled economic data can add to that phenomenon.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")

- 4.48
- 4.40
- 4.34
- 4.28
- 4.19
- 4.12
- 4.05

- Floor/Resistance

- 3.89
- 3.97

MBS & Treasury Markets



MBS

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

US Treasuries

10 YR	4.087%	-0.052%
2 YR	3.539%	-0.055%
30 YR	4.723%	-0.033%
5 YR	3.649%	-0.062%

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