MBS Recap: Weaker Data Endorses the In-Progress Rally

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Weaker Data Endorses the In-Progress Rally

MBS Recap Matthew Graham | 4:33 PM

Who knows how today would have ended up if the relevant econ data had come in stronger than expected. Perhaps that would have been enough to see an earlier, more threatening sell-off in bonds. As it stands, we're heading out the door with moderate gains, even if we can't give clear credit to the data (because the gains happened before the data). Thursday brings another chance to see if different data (Jobless Claims, Challenger Layoffs, Revelio payrolls) will be worth any more of a response. Otherwise bonds are just grinding out a range ahead of next Wednesday's Fed Day.

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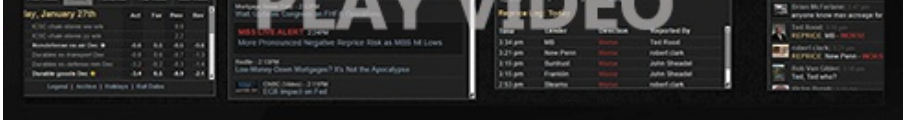

Watch the Video

MBS Morning

8:37 AM Stronger Start, Mostly Before ADP Data

Alert

10:38 AM MBS Down an Eighth From AM Highs

4:11 PM

Econ Data / Events

- **ADP Employment**
  - -32k vs 10k f'cast, 42k prev
- ISM Biz Activity (Nov)
  - 54.5 vs -- f'cast, 54.3 prev
- **ISM Services PMI** (Nov)
  - 52.6 vs 52.1 f'cast, 52.4 prev
- ISM Services Employment (Nov)
  - 48.9 vs -- f'cast, 48.2 prev
- ISM Services New Orders (Nov)
  - 52.9 vs -- f'cast, 56.2 prev
- ISM Services Prices (Nov)
  - 65.4 vs -- f'cast, 70.0 prev

Market Movement Recap

08:37 AM 10yr down 3bps at 4.06 and MBS up more than an eighth of a point even before the ADP data. Little-changed since then.

10:02 AM No major reaction to ISM data. MBS up an eighth and 10yr down 2.2bps at 4.069

10:38 AM Session lows with MBS down 5 ticks (.16) from AM highs (still up on the day, barely). 10yr down less than 1bp now and up more than 3bps from the lows at 4.084

12:43 PM Bouncing back a bit. MBS up 3 ticks (.09) and 10yr down 2.2bps at 4.069

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bouncing back a bit. MBS up 3 ticks (.09) and 10yr down 2.3bps at 4.068

03:59 PM MBS up 5 ticks (.16) and 10yr down 3.1bps at 4.06

Lock / Float Considerations

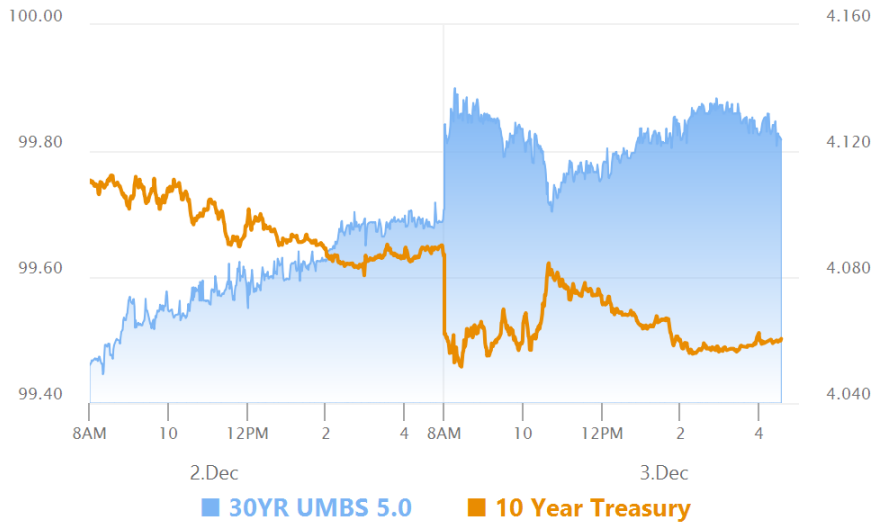
- Bonds are trading well mid-week regardless of econ data (perhaps even showing some disinterest in the data). From a technical standpoint, rates are that much closer to long-term resistance levels. A big break lower would require a big development in data (specifically the data coming out in 2 weeks). Random, in-range volatility is the baseline between now and then, with a brief pause for heavier event risk surround next Wednesday's Fed announcement.

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



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MBS

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

US Treasuries

10 YR	4.060%	-0.031%
2 YR	3.486%	-0.025%
30 YR	4.724%	-0.019%
5 YR	3.627%	-0.033%

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