

# MBS & TREASURY MARKETS

Daily Coverage. Industry Leading Perspective.

## MBS Recap: Unemployment Not High Enough For a Full-Fledged Rally



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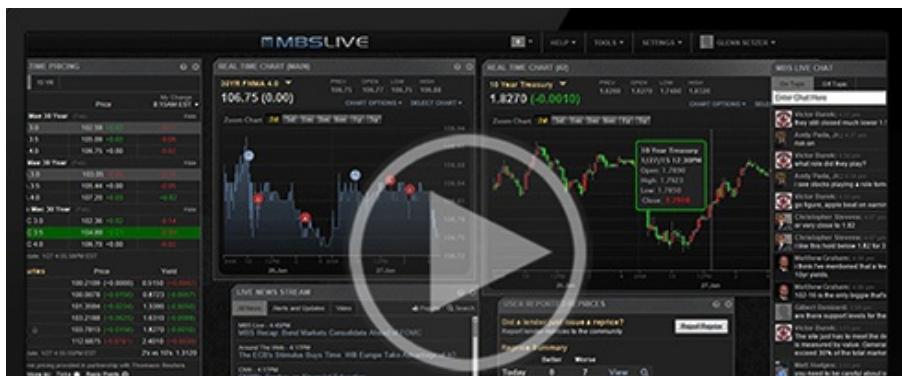
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## Unemployment Not High Enough For a Full-Fledged Rally

MBS Recap | Matthew Graham | 2:41 PM

If the only metric from this morning's jobs report was the uptick in unemployment from 4.4 to 4.6%, and if that was the last of this week's big ticket econ data, it wouldn't be a surprise to see a more aggressive rate rally. As it stands, unemployment was tempered by a higher participation rate and less dire unrounded numbers (taken together, these actually made unemployment closer to unchanged). Add in stronger payroll growth, a surge in core retail sales, and the need to wait and see how Thursday's CPI comes out, and the choppy, lackluster rally is easier to reconcile.



The screenshot shows the MBS Live interface. On the left, there's a 'TIME PRICING' table for MBS 30 Year and MBS 10 Year bonds. The middle features a 'REAL TIME CHART (MBS)' for 30YR Fixed 4.0%, showing a price of 106.75 and a yield of 4.00%. Below it is another chart for the 10 Year Treasury, showing a price of 1.8279 and a yield of 1.82%. A large play button is overlaid on the charts. At the bottom, there's a 'LIVE NEWS STREAM' with a headline about the Fed's decision to keep rates unchanged. A sidebar on the right shows a 'LIVE CHAT' with several messages from users.



Watch the Video

## Update

8:34 AM First Move is Stronger After Jobs Report

## MBS Morning

9:04 AM Frustratingly Flat After Deceptively Friendly Jobs Report

2:21 PM

## Econ Data / Events

- - o ADP Weekly Employment
    - 16.25k vs 4.75k prev
  - o Non Farm Payrolls (Oct)
    - -105 vs -- f'cast, 119K prev
  - o Non Farm Payrolls (Nov)
    - 64K vs 50K f'cast, -- prev
  - o Participation Rate (Nov)
    - 62.5% vs -- f'cast, 62.4% prev
  - o Retail Sales (Oct)
    - 0.0% vs 0.1% f'cast, 0.2% prev
  - o Retail Sales Control Group MoM (Oct)
    - 0.8% vs 0.4% f'cast, -0.1% prev
  - o Unemployment rate mm (Nov)
    - 4.6% vs 4.4% f'cast, 4.4% prev

## Market Movement Recap

08:36 AM Modestly stronger after jobs report. MBS up almost an eighth and 10yr down 1.1bps at 4.165

09:27 AM Paradoxically modestly weaker now with MBS unchanged and 10yr up 1.3bps at 4.191

12:56 PM Back near best levels of the day. MBS up 5 ticks (.16) and 10yr down 2.1bps at 4.156

02:28 PM

Leveling off at only modestly stronger levels. MBS up an eighth and 10yr still down 2.1 ticks at 4.156

## Lock / Float Considerations

- Rates are no worse for the wear after Tuesday's jobs report, even if the improvement fell short of what we might expect given the uptick in unemployment. Risk averse clients may view this as suggesting some measure of resistance to the notion of any rapid improvement in rates between now and year-end. Pragmatists assume the market is waiting to consider bigger moves after Thursday's CPI data.

## Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
  - o 4.48
  - o 4.40
  - o 4.34
  - o 4.28
  - o 4.19
  - o 4.12
  - o 4.05
- Floor/Resistance
  - o 3.89
  - o 3.97

## MBS & Treasury Markets



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

**US Treasuries**

10 YR	4.151%	-0.025%
2 YR	3.481%	-0.026%
30 YR	4.825%	-0.019%
5 YR	3.695%	-0.032%

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