

MBS & TREASURY MARKETS

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



Nathaniel Rutkoski

Mortgage Broker, Zoom Loans

www.ZMLoans.com

M: (408) 767-6311

2140 W Grantline Rd
Tracy CA 95376

NMLS# 356590

ZOOM LOANS



Melissa Jimenez

Realtor, Realty ONE Group Zoom

melissajimenezrealtor.com

P: (209) 627-0612

mjrealestate12@gmail.com

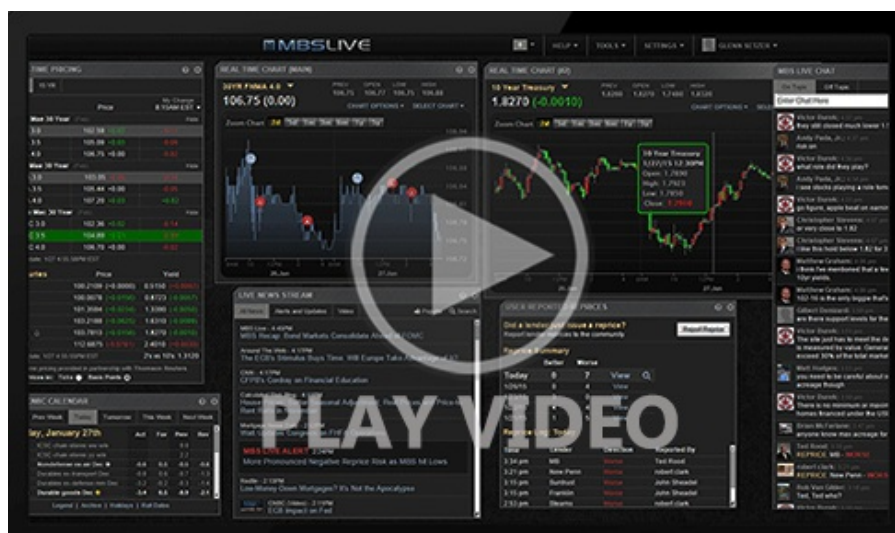
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Unemployment Not High Enough For a Full-Fledged Rally

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.



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

- ○ ADP Weekly Employment
 - 16.25k vs 4.75k prev
- Non Farm Payrolls (Oct)
 - -105 vs -- f'cast, 119K prev

- Non Farm Payrolls (Nov)
 - 64K vs 50K f'cast, -- prev
- Participation Rate (Nov)
 - 62.5% vs -- f'cast, 62.4% prev
- Retail Sales (Oct)
 - 0.0% vs 0.1% f'cast, 0.2% prev
- Retail Sales Control Group MoM (Oct)
 - 0.8% vs 0.4% f'cast, -0.1% prev
- **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

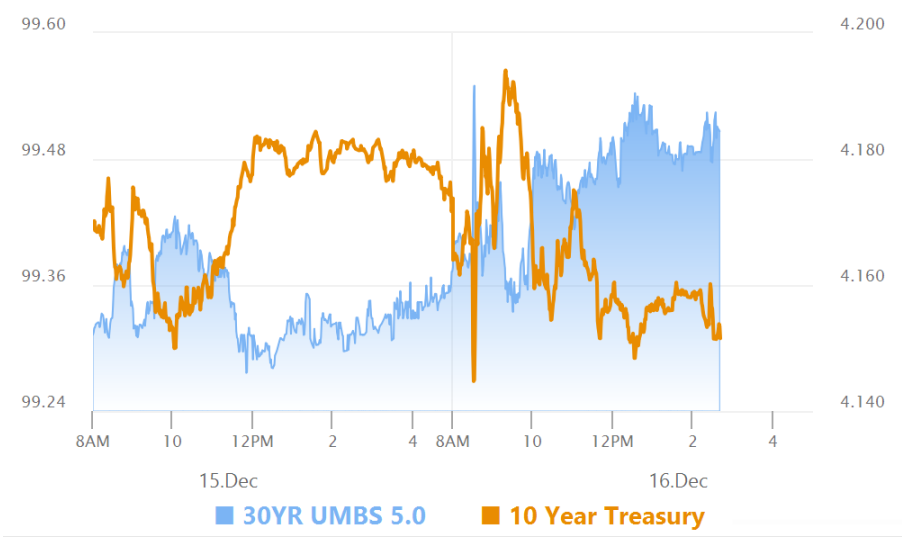
- Rates are no worse for the week after Tuesday's jobs report, even if the improvement fell short of what we might expect given the uptick in unemployment. Risk averse clients may view this as suggesting some measure of resistance to the notion of any rapid improvement in rates between now and year-end. 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")
 - 4.48
 - 4.40
 - 4.34
 - 4.28
 - 4.19
 - 4.12
 - 4.05

- Floor/Resistance
 - o 3.89
 - o 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	4.151%	-0.025%
2 YR	3.481%	-0.026%
30 YR	4.825%	-0.019%
5 YR	3.695%	-0.032%

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