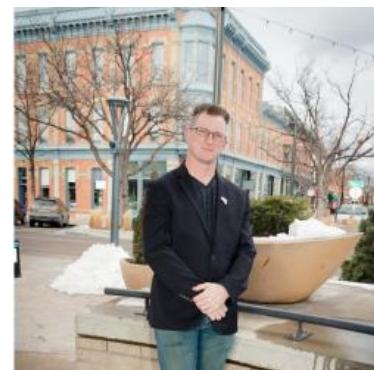


MBS & TREASURY MARKETS

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MBS Recap: Mostly Quiet Ahead of Friday's Jobs Report



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Mostly Quiet Ahead of Friday's Jobs Report

Bonds lost a bit of ground on Thursday with most of the weakness seen in the overnight session in sympathy with European bond market weakness. The rest of the selling followed a stronger weekly jobless claims report. That said, we wouldn't give the data all the credit based on the timing of the selling and additional back-and-forth throughout the day. Tomorrow is far more interesting anyway. It brings what many view as the first clean reading of the big jobs report since before the government shutdown. Point being: the market will likely be more willing to react to any result that falls far from the median forecast--especially if the job count and unemployment rate both make the same case.



Watch the Video

MBS Morning

9:23 AM No Help From Jobless Claims or Europe

4:17 PM

Econ Data / Events

- ○ Challenger layoffs (Dec)
 - 35,553K vs -- f'cast, 71,321K prev
- Continued Claims (Dec)/27
 - 1,914K vs 1900K f'cast, 1866K prev
- Jobless Claims (Jan)/03
 - 208K vs 210K f'cast, 199K prev
- Trade Gap (Oct)
 - -29.40B vs \$-58.9B f'cast, \$-52.8B prev

Market Movement Recap

08:54 AM Weaker overnight with Europe and additional selling after Jobless Claims data. MBS down an eighth and 10yr up 2.6bps at 4.181

01:05 PM Sideways near opening levels. MBS down an eighth and 10yr up 1.9bps at 4.174

03:02 PM Same same. MBS down 3 ticks (.09) and 10yr up 2.7bps at 4.182

Lock / Float Considerations

- Friday's jobs report is this week's last big-ticket event. As always, this report carries a wider range of potential movement for the bond market than any other econ data. Sometimes it threads the needle and there's minimal change. Other times it sets off decisive directional momentum. All we can know about ahead of time is the heightened volatility potential.

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 | 4.179% | +0.024% |
| 2 YR | 3.490% | +0.019% |
| 30 YR | 4.851% | +0.018% |
| 5 YR | 3.737% | +0.033% |

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