

MBS & TREASURY MARKETS

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The Day Ahead: Fairly Tame Jobs Report, MBS Have Magic Armor Either Way

The jobs report came out mixed with payrolls falling 10k short of the 60k forecast and the unemployment rate ticking down to 4.4% vs a 4.5% forecast. The unemployment rate decline is mitigated somewhat by the decline in labor force participation. All in all, this is not a lopsided report with any chance of sparking a rapid move in bonds. That said, MBS are moving rapidly higher and it has nothing to do with data and everything to do with last night's announcement of the administration's plans to buy \$200bln in MBS. Simply put, Treasuries are roughly unchanged while MBS are up half a point.

The chart below shows the dichotomy. Note that MBS prices have been inverted to show correlation with TSY yields (i.e. lower blue line = stronger MBS):



April Palacios

Branch Sales Manager,
Fairway Independent
Mortgage Corporation

P: (980) 290-4140

M: (704) 989-2961

6431 Old Monroe Rd, Suite 201
Indian Trail North Carolina 28079
124941



Jennifer Buenau

Broker/REALTOR, Keller
Williams Select

<https://youknowbuenau.com/>

M: (845) 800-5878

jennybsellsthecarolinas@gmail.com

6431 Old Monroe Rd Suite 201
Indian Trail NC 28079

