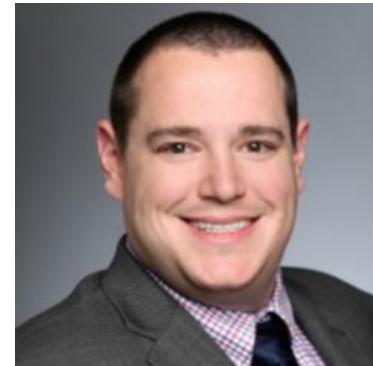




MBS Recap: Surprisingly Big Bond Rally Relative to The Data



Drew Stiegemeier

Mortgage Banker, Frontier Mortgage

frontierhomemortgage.com/drew

P: (636) 898-0888

M: (618) 779-7507

1406168

Frontier  **Mortgage**



Mike Mihelcic

Associate, Re/Max Alliance

www.remax.com/.../102293806

P: (618) 656-2111

M: (618) 339-5752

remaxmike2012@gmail.com

1121 University Drive
Edwardsville IL 62025



Surprisingly Big Bond Rally Relative to The Data

MBS Recap | Matthew Graham | 2:55 PM

Bonds went on a bit of a buying spree on Thursday. It was the biggest rally day since November, at least, and that's impressive given the motivations. Specifically, there was a trifecta of downbeat labor market reports (Challenger, Jobless Claims, and Job Openings). Individually, none of these are worth a third of the move we saw today, but the whole was greater than the sum of its parts. There's also a 4th report being traded today: next week's big jobs report. In other words, between yesterday's ISM employment numbers and today's reports, traders are taking a cautious lead-off ahead of the big jobs report. This raises the stakes for volatility next Wednesday morning.



Watch the Video

MBS Morning

9:21 AM Stronger Start Thanks to Employment Data

2:01 PM

Econ Data / Events

- ○ Continued Claims (Jan)/24
 - 1,844K vs 1850K f'cast, 1827K prev
- Jobless Claims (Jan)/31
 - 231K vs 212K f'cast, 209K prev

Market Movement Recap

08:32 AM Modestly stronger overnight with additional gains after AM data. MBS up almost an eighth and

10yr down 4bps at 4.24

10:06 AM Additional gains after JOLTS data with 10yr down 5 bps at 4.228 and MBS up 5 ticks (.16).

01:09 PM Best levels of the day. MBS up a quarter point and 10yr down 7.1bps at 4.207

Lock / Float Considerations

- Thursday's labor market data got bonds moving in a more serious way. There is no remaining big ticket data this week, but the clear implication is for next Wednesday's jobs report to either endorse a move back into the previous range or reinforce the recent breakout. On a short-term, tactical note, if you're floating with a lender who didn't offer any noticeable improvement today, you're more insulated than normal going into tomorrow.

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



4.Feb

5.Feb

■ 30YR UMBS 5.0

■ 10 Year Treasury

MBS

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

US Treasuries

10 YR	4.207%	-0.071%
2 YR	3.480%	-0.075%
30 YR	4.860%	-0.060%
5 YR	3.749%	-0.082%

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