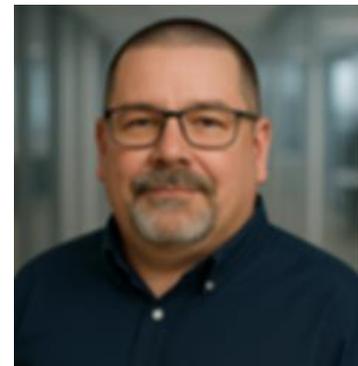


MBS & TREASURY MARKETS

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MBS Recap: Surprisingly Big Bond Rally Relative to The Data



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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.

Technical/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 | 4.207% | -0.071% |
| 2 YR | 3.480% | -0.075% |
| 30 YR | 4.860% | -0.060% |
| 5 YR | 3.749% | -0.082% |

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