

# MBS & TREASURY MARKETS

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## The Day Ahead: Bonds Taking a Pre-NFP Lead-Off

Last Thursday, we discussed the paradox of a rally in the present moment being driven by future data. More specifically, the three downbeat labor market reports increased the stakes for tomorrow's jobs report. Depending on trends and trading **positions**, risks can be asymmetrical. A trader who expected higher rates might have only seen a modest increase in yields if the data was stronger, and a bigger decrease in yields if the data was weaker. The market already rejected a break above 4.30% in the 10yr. Then multiple reports suggested additional buying and additional risk of a weak jobs report. The choice to move back toward a familiar recent range (4.1-4.2) became clear with this morning's weak retail sales data. Just be aware that if Wednesday's jobs report is stronger, yields could pop right back over 4.20.



**Jeffrey Chalmers**

Senior Loan Officer,  
Movement Mortgage  
Licensed: CA, FL, MA, ME,  
NH, VT

[ClicknFinance.com](https://ClicknFinance.com)

M: (774) 291-6527

99 Rosewood Dr, Suite 270  
Danvers MA 01923

NMLS#76803

NMLS#39179

