

MBS Recap: Best Levels in Weeks Ahead of High Stakes Jobs Report



Brendon Garcia

Broker/Owner,
Collaborative Capital

<https://brendongarcia.com/>

P: (805) 253-2053

brendon@brendongarcia.com

Westlake Village, California

NMLS# 278724

NMLS# 2385760



Best Levels in Weeks Ahead of High Stakes Jobs Report

MBS Recap | Matthew Graham | 3:05 PM

Rather than circle the wagons and consolidate the recent rally, bonds kicked the buying into higher gear on Tuesday thanks to a surprisingly weak Retail Sales report for December. This can be added to the list of recent data that has urged the bond market to get in position for a similarly weak jobs report tomorrow. Nearly 15bps of improvement in less than a week means that jobs would have to especially downbeat for this pace to continue. If the report surprises to the upside, bonds are at risk of a reasonably brisk correction, but as always, the scope of potential volatility depends on the deviation from the median forecast.

The screenshot shows the MBS Live interface. On the left, there are two tables: 'TIME PRICING' and 'YIELDS'. The 'TIME PRICING' table shows bond prices for various maturities from 1 to 30 years. The 'YIELDS' table shows yields for various maturities. In the center, there are two line charts: a '30YR Fixed 4.0' chart and a '10 Year Treasury' chart. The '10 Year Treasury' chart is highlighted with a green box and shows a price of 106.75 (0.00). A large play button is overlaid on the charts. On the right, there is a 'LIVE CHAT' window with a list of messages from users like 'Vector Shultz' and 'Christopher Stevens'. Below the chat is a 'LIVE REPORTS & PRICES' section with a 'Report Summary' table. The table includes columns for 'Date', 'Report Type', 'Source', 'Report Summary', and 'Report Details'.



Watch the Video

MBS Morning

9:42 AM Bonds Taking a Pre-NFP Lead-Off

2:31 PM

Econ Data / Events

- - Employment costs Q4
 - 0.7% vs 0.8% f'cast, 0.8% prev
 - Import prices mm (Dec)
 - 0.1% vs 0.1% f'cast, -- prev
 - Retail Sales (Dec)
 - 0% vs 0.4% f'cast, 0.6% prev
 - Retail Sales Control Group MoM (Dec)
 - -0.1% vs 0.4% f'cast, 0.4% prev

Market Movement Recap

09:03 AM Gradually stronger overnight with additional gains after 8:30am data. 10yr down 5bps at 4.157 and MBS up 2 ticks (.06).

11:15 AM Additional gains. MBS up an eighth of a point and 10yr down 7.3bps at 4.135

01:10 PM off the best levels, but still stronger. MBS up 3 ticks (.09) and 10yre down 5.9bps at 4.149

02:55 PM Drifting sideways into the close with MBS up 2 ticks (.06) and 10yr yields down 6.1bps at 4.147

Lock / Float Considerations

- High risk / high reward ahead of Wednesday's jobs report, but it bears repeating that there's some measure of "lead-off" priced into current levels. Set-ups such as this have preceded some explosive

rallies as well as some painful corrections. No way to know which one it will be ahead of time. Tuesday's Retail Sales extended the rate-friendly lead-off and created a good lock opportunity for risk-averse clients.

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	4.141%	-0.066%
2 YR	3.452%	-0.039%
30 YR	4.784%	-0.076%

30 YR

4.784%

-0.070%

5 YR

3.695%

-0.050%

[Open Dashboard](#)

[Share This](#)