

MBS & TREASURY MARKETS

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MBS Recap: Oil Impact Ultimately Shunned in Favor of Jobs Report Implications



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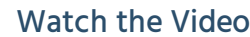


Oil Impact Ultimately Shunned in Favor of Jobs Report Implications

MBS Recap | Matthew Graham | 4:38 PM

It was a super interesting day for the bond market. Yields rose to the week's highs overnight as oil prices continued to surge. We knew we'd get at least some sort of reaction to any big beat/miss in the jobs report and today's miss was certainly big. At first, the reaction was logical. Bond rallied. But the paradox set in quickly and yields hit new highs by 9:30am. Fed funds futures continued arguing for a bond rally, as did lowest S&P levels since November. One could say "bonds finally came to their senses," or "the initial selling was a quick bout of profit taking," but no explanation would have been obvious upfront. Since 9:30am marked the shift, we'd have to go with the vague "positional considerations" and stock market safe haven excuses. Either way, with bonds ending up flat despite oil cracking \$90/bbl, it was good enough.





8:35 AM First Move is Stronger After Massive Jobs Report Miss

9:19 AM Weakest Levels of The Day

9:29 AM Massive Miss in NFP. So Why Aren't Bonds Improving?

3:21 PM After Nice Mid-Day Recovery, MBS Down an Eighth From Highs

3:30 PM

- - Average earnings mm (Feb)
 - 0.4% vs 0.3% f'cast, 0.4% prev
 - Non Farm Payrolls (Feb)
 - -92K vs 59K f'cast, 130K prev
 - Participation Rate (Feb)
 - 62.0% vs -- f'cast, 62.5% prev
 - Retail Sales (Jan)
 - -0.2% vs -0.3% f'cast, 0% prev
 - Retail Sales Control Group MoM (Jan)
 - 0.3% vs 0.2% f'cast, -0.1% prev
 - Unemployment rate mm (Feb)
 - 4.4% vs 4.3% f'cast, 4.3% prev

08:16 AM

- 08:35 AM Additional weakness overnight amid ongoing oil surge. MBS down an eighth and 10yr up almost 3bps at 4.164
- 08:35 AM post payrolls, 10yr yields down 1.5bps at 4.121 and MBS up 2 ticks (.06).
- 10:09 AM Big reversal into weaker territory. MBS down 6 ticks (.19) and 10yr up 4bps at 4.176
- 11:59 AM Nice recovery with MBS down only 1 tick (.03) and 10yr down 0.3bps at 4.133
- 02:03 PM Best levels of the day. MBS up 2 ticks (.06) and 10yr down 2.3bps at 4.113
- 03:21 PM Off the best levels now with MBS down 2 ticks (.06) on the day and just over an eighth from the highs. 10yr roughly unchanged at 4.138

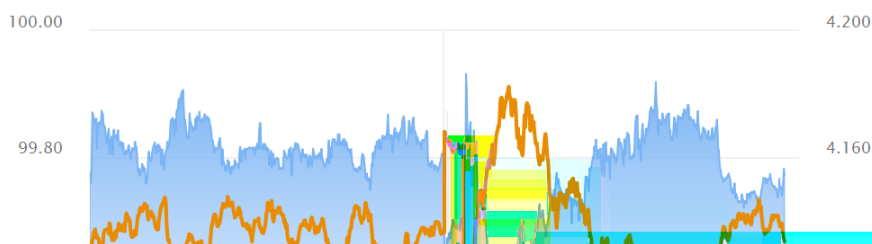
Lock / Float Considerations

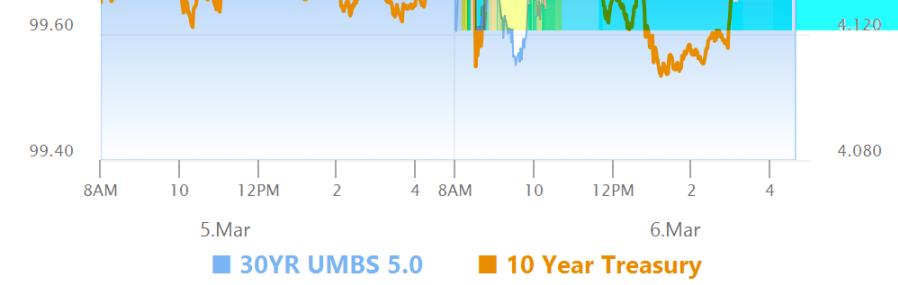
- Volatility risk remains much higher than normal amid a combination of geopolitical uncertainty and the schedule of incoming economic data.

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





MBS

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

US Treasuries

10 YR	4.133%	-0.003%
2 YR	3.553%	-0.030%
30 YR	4.756%	+0.001%
5 YR	3.717%	-0.011%

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