MBS Recap: Not Reading Too Much Into Late Day Reversal

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EQUAL HOUSING LENDER

Not Reading Too Much Into Late Day Reversal

MBS Recap Matthew Graham | 2:17 PM

Bonds rallied quickly in response to this morning's jobs report and pressed to even stronger levels by mid-day. That's the point in the day that most traders (the ones actually working) consider bonds to be "closed." You're free to do the same and count today as a win. But in the noon-2pm hour, a decent chunk of the AM gains were erased. We wouldn't read too much into those and instead view them as a facet of pre-holiday-weekend illiquidity and/or position squaring. This doesn't imply directionality in the future. It just means we have to wait for next week to get a clean read on market sentiment.

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Watch the Video

MBS Morning

9:05 AM Red Night, Green Morning After Weaker Jobs Data

1:15 PM

Alert

1:48 PM Weakest Post-Data Levels At The Close

Econ Data / Events

- Average earnings mm (Jun)
  - 0.3% vs 0.3% f'cast, 0.3% prev
- Continued Claims (Jun)/20
  - 1,814K vs 1810K f'cast, 1821K prev
- Jobless Claims (Jun)/27
  - 215K vs 220K f'cast, 215K prev
- Non Farm Payrolls (Jun)
  - 57K vs 110K f'cast, 172K prev
- Participation Rate (Jun)
  - 61.5% vs -- f'cast, 61.8% prev
- Unemployment rate mm (Jun)
  - 4.2% vs 4.3% f'cast, 4.3% prev

Market Movement Recap

08:25 AM Weaker overnight with 10yr up 2bps at 4.502 and MBS down an eighth.

08:21 AM

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08:31 AM Moving back into positive territory after jobs report. MB now unchanged and 10yr down 1bp at 4.47

12:16 PM MBS up 5 ticks (.16) and 10yr down 1.2bps at 4.469

01:48 PM weakest post-data levels with 10yr up 1bp at 4.49 and MBS now unchanged.

Lock / Float Considerations

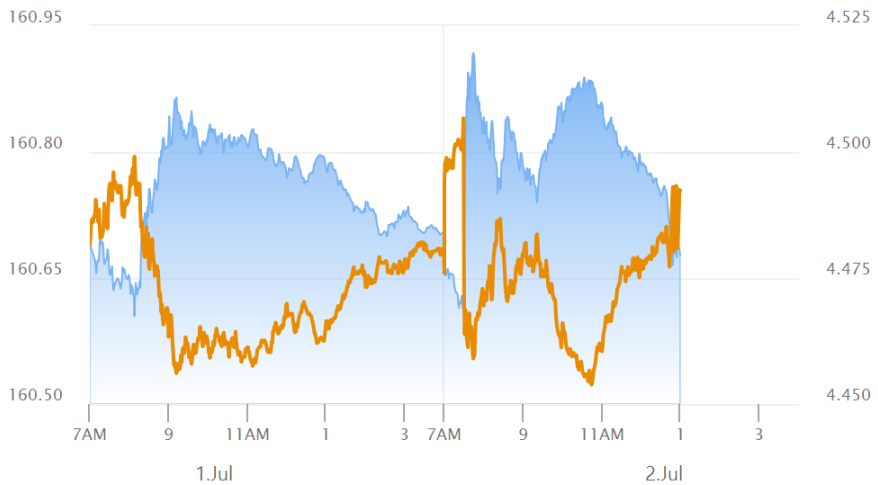
- 7/2/26 - The jobs report was constructive for rates in the bigger picture. We'd hesitate to read too much into the afternoon back-tracking on the half-day before a 3 day weekend. Risk-tolerant folks are hoping recent ceilings hold over the weekend and can be built upon in the coming week. In general though, caution remains warranted due to the lack of follow-through after the recent attempt to hold below 4.42% (10yr yield).

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
  - 4.59
  - 4.51
  - 4.42

- Floor/Resistance
  - 4.19
  - 4.28
  - 4.34
  - 4.36

MBS & Treasury Markets



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MBS

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

US Treasuries

10 YR	4.486%	+0.005%
2 YR	4.137%	-0.037%
30 YR	4.978%	+0.007%
5 YR	4.232%	-0.003%

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