MBS Recap: Not Quite The Rally You'd Expect, But a Rally Nonetheless

Joshua Daniel
President, NAV Home Loans
P: (303) 929-0578
M: (303) 929-0578
3425 S Inca St
Englewood Colorado 80110
2708570

Not Quite The Rally You'd Expect, But a Rally Nonetheless

MBS Recap Matthew Graham | 5:20 PM

Today's vitals might be a bit confusing at first glance. Payrolls came in at -23k versus forecasts of 80k. At most moments in history, that would be worth a substantial rally. Today it was only worth 3bps in the 10yr and a quarter point in MBS. To be fair, it was worth even less without a late day drop in oil prices for unrelated reasons. But at this moment in history, low payroll counts are far more common and they're doing far less to influence the unemployment rate (case in point, today's FELL to 4.1% from 4.2%). This went a long way toward offsetting the drop in payrolls. Nonetheless, payrolls remain very important to traders even if economists have shifted more of their focus to other metrics.

Watch the Video

MBS Morning

9:05 AM Much Stronger Start After Negative NFP Print, But...

Alert

11:19 AM Down Almost an Eighth From Rate Sheet Times

Alert

2:43 PM Lows of the Day. Slightly More Reprice Risk

5:04 PM

Econon Data / Events

- - Average earnings mm (Jul)
    - 0.1% vs 0.3% f'cast, 0.3% prev
  - Non Farm Payrolls (Jul)
    - -23K vs 80K f'cast, 57K prev
  - Participation Rate (Jul)
    - 61.4% vs -- f'cast, 61.5% prev
  - Unemployment rate mm (Jul)
    - 4.1% vs 4.2% f'cast, 4.2% prev

Market Movement Recap

09:06 AM sharply stronger after jobs data but off the very best levels. MBS up 10 ticks (.31) and 10yr down 5.3bps at 4.625

11:20 AM MBS up 7 ticks now (.22) and 10yr down 2.5bps at 4.652 (well off the lows of 4.603)

02:38 PM Very flat. MBS still up 7 ticks (.22) and 10yr down 2bps at 4.658

Lock / Float Considerations

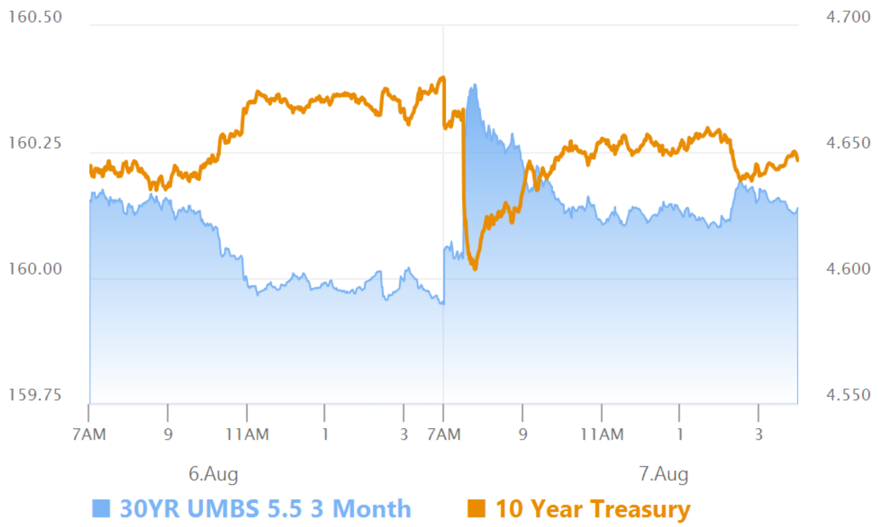
- 8/7/26 - Best day of the week for bonds, but that's not saying much given the size of the jobs report miss. If anything, it strengthens the case for risk-averse clients to take chips off the table. Risk-tolerant clients have a bit more room underneath overhead lock triggers, but the typical caveats remain regarding war-related headline risk.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
  - 4.80
  - 4.71

- Floor/Resistance
  - 4.42
  - 4.54
  - 4.62

MBS & Treasury Markets



MBS

30YR UMBS 5.5	+
30YR UMBS 6.0	+
30YR GNMA 5.5	+
15YR UMBS-15 5.0	+

US Treasuries

10 YR	4.648%	-0.029%
2 YR	4.197%	-0.052%
30 YR	5.201%	-0.026%
5 YR	4.351%	-0.045%

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