MBS Recap: Why Bonds Sold Off Despite Weaker Jobs Report

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Why Bonds Sold Off Despite Weaker Jobs Report

MBS Recap Matthew Graham | 4:41 PM

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First off, read the AM commentary if you haven't already. This recap doesn't add much to that (but the video adds a lot). Bottom line, NFP was weaker, but that was the worst of the news. The unrounded unemployment rate barely budged and it would have moved LOWER (under 4.00%) were it not for the uptick in labor force participation. Higher oil prices contributed a bit to intraday weakness as did a recovery in French credit spreads. At the end of the day, this wasn't the jobs report that sowed any seeds of doubt about cracks showing in the labor market.

Watch the Video

Update

8:33 AM First Move is Stronger After NFP Comes in Weak

MBS Morning

9:36 AM Why Bonds Aren't More Excited About The Jobs Report

Alert

10:36 AM MBS Down a Quarter From Highs

Alert

11:00 AM More Reprice Risk Now

3:36 PM

Econ Data / Events

- Average earnings mm (Sep)
  - 0.1% vs 0.3% f'cast, 0.3% prev
- Non Farm Payrolls (Sep)
  - 29K vs 90K f'cast, 162K prev
- Participation Rate (Sep)

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    - 61.8% vs -- f'cast, 61.6% prev

  - Unemployment rate mm (Sep)
    - 4.2% vs 4.1% f'cast, 4.1% prev

Market Movement Recap

10:06 AM Initially much stronger after NFP, but dialing back a bit. MBS up a quarter point and 10yr down 4.1bps at 4.198

02:31 PM MBS now down a quarter point and 10yr up 4bps at 5.28. Cooler heads prevail on jobs report reaction and EU credit spreads

Lock / Float Considerations

- 10/1/26 - Thursday's rally is the sort of thing that starts the clock on the game titled "is this a bounce?" In insolation, it's just one of those random recoveries amidst a sea of red. Too risky to treat it as a sign of a shift on the eve of the jobs report, even though a weak jobs report could be capable of confirming a near-term top in rates. (NOTE: that's a BIG "if," and it's not even a 50/50 chance... more like a 15% chance. Reasons are discussed in today's video).

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
  - 5.41
  - 5.34

- Floor/Resistance
  - 4.83
  - 4.93
  - 5.00
  - 5.14
  - 5.29

MBS & Treasury Markets

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MBS	
30YR UMBS 6.0	
30YR UMBS 6.5	
30YR GNMA 6.0	
15YR UMBS-15 5.0	+

US Treasuries		
10 YR	5.278%	+0.040%
2 YR	4.826%	+0.032%
30 YR	5.612%	-0.007%
5 YR	5.059%	+0.051%

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