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

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.

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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)
  - 61.8% vs -- f'cast, 61.6% prev
- Unemployment rate mm (Sep)
  - 4.2% vs 4.1% f'cast, 4.1% prev

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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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1.Oct 2.Oct

30YR UMBS 6.0 10 Year Treasury

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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