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MBS Recap: Weakest Levels in More Than 3 Months After NFP

Today's jobs data was every bit as strong as the last one was weak. Remember that? A month ago, the thesis was that there were **no silver linings** in the report, and that it raised serious questions about the Fed's rate hike intentions. This time around there were **no caveats** in the report, and it left no doubt as to the Fed's green light.

It's been interesting to consider just how strong today's report was in light of some of the comments leading up to it. This began with several Fed officials talking about how low job growth could be without **fundamentally altering** the read on the labor market. They were throwing out numbers anywhere from 100-150k payrolls. Those comments in turn prompted market watchers to speculate that the Fed knew something about today's data coming in weak.

Conspiracy theories are a funny thing. When I've personally bought into them, it's always due to a lack of understanding or a lack of any other satisfying way to explain what I'm seeing. To many, the fact that the Fed seemed to be defending 100-150k jobs creation didn't make sense. The only way it would have made sense would be if you agreed with my thesis that the Fed had seen all they needed to see in order to hike and that they were merely reminding markets not to get carried away if the number happened to come in much lower than expected.

As it turns out, their reminders were completely **unnecessary**. Do you think the Fed still would have thrown out those sorts of reminders if they knew the report would utterly crush expectations? Of course not. Reminding someone how low the bar is for action only adds to the volatility of their response when they see how easily the bar was cleared. In other words, if 100-150k jobs would have been enough, what does 271k jobs mean?!

The benefit of all this is that we got to see **exactly** what it looks like for markets to price in the **highest possible** likelihood of a December rate hike as of November 6th, 2015. It looks like today's closing levels of 2.325 in 10yr yields and 103-10 in Fannie 3.5s. For 10yr Treasuries, it's the weakest close in 3 months. For 2yr Treasuries (more in tune with Fed rates), it's the weakest close in more than 5 years.

Bottom line, last week's FOMC Announcement was a potential game-changer and only an exceptionally weak NFP could have stood in the way. NFP instead stepped aside and allowed the "full game-changer" impact of the announcement to hit trading screens.

MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 5.0	99.37	+0.02
MBS GNMA 5.0	99.93	+0.02
10 YR Treasury	3.9068	+0.0029
30 YR Treasury	4.1960	+0.0028

Pricing as of: 9/1 7:34PM EST



Average Mortgage Rates

	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	6.43%	+0.02	0.00
15 Yr. Fixed	5.95%	0.00	0.00
30 Yr. FHA	5.82%	+0.02	0.00
30 Yr. Jumbo	6.62%	0.00	0.00
5/1 ARM	6.28%	-0.01	0.00
Freddie Mac			
30 Yr. Fixed	6.35%	-0.51	0.00
15 Yr. Fixed	5.51%	-0.65	0.00
Mortgage Bankers Assoc.			
30 Yr. Fixed	6.44%	-0.06	0.54
15 Yr. Fixed	5.88%	-0.16	0.68
30 Yr. FHA	6.36%	-0.06	0.85
30 Yr. Jumbo	6.75%	+0.07	0.39
5/1 ARM	5.98%	-0.27	0.65

Rates as of: 8/30

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