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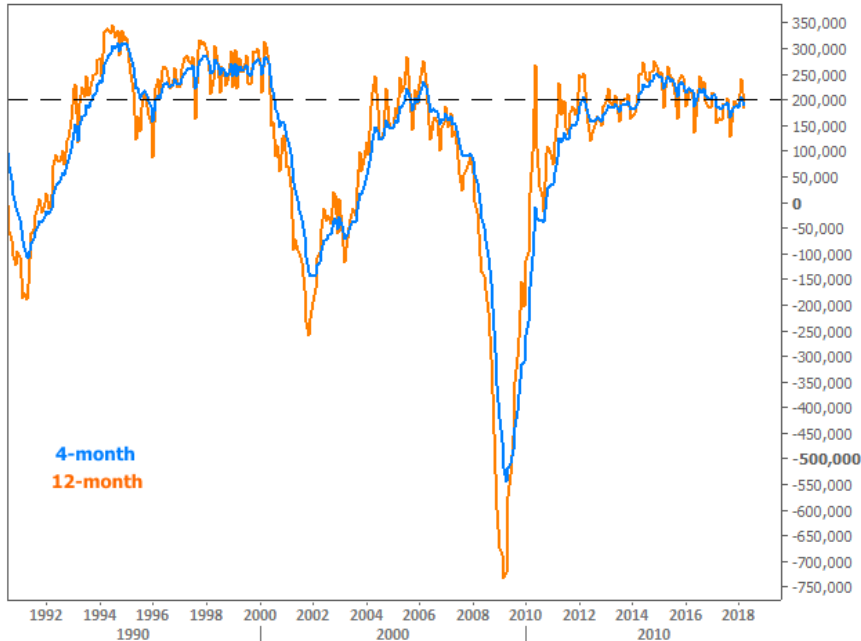
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The Day Ahead: Time to Battle a Familiar Enemy After Weaker NFP

NFP came out much weaker this morning (102k vs 190k forecast). That's a fairly weak reading, and a bigger "miss" than we normally see. Importantly though, it's definitely not outside the realm of "bigger misses and beats." Case in point, last month's reading was just revised up from 287k to 320k. **On the other end of the spectrum**, September's numbers (reported in October) left NFP at a mere 14k. So in the grand scheme of things, this 102k reading does little the change the prevailing averages unless it's joined by several successive misses.

The following chart gives an idea of **how steady** the series has been since 2012. Granted, the past decade has been nowhere near as strong as the 90's, but nothing likely will be.

NFP moving averages



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

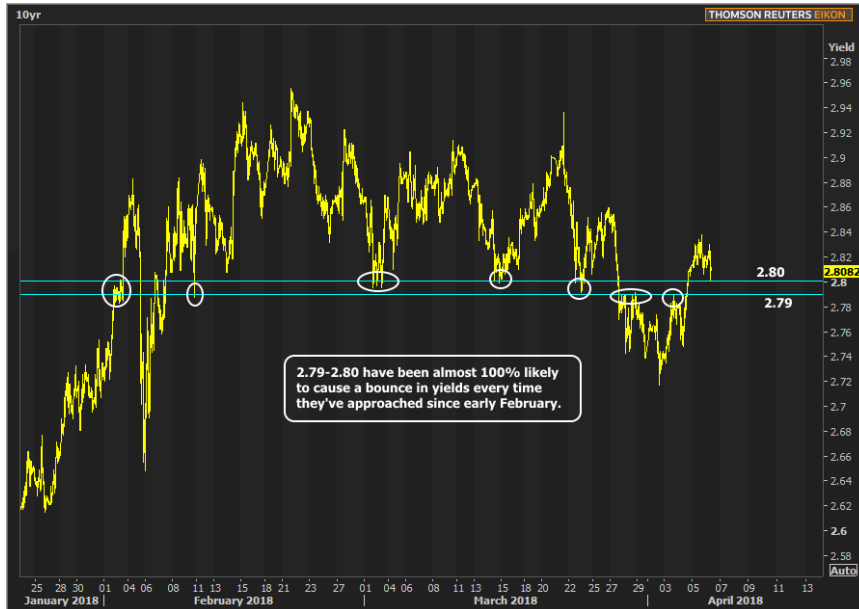
Much has been made of the wage growth component of the NFP report, both by professional analysts, armchair pundits, and even the Federal Reserve.

Wages are thought to be the key to unlocking the as-yet unrealized potential of a strong labor market to create stronger growth and inflation. With that in mind, wages came in slightly hotter this month, rising to 0.3% from last month's 0.1% (forecast was for 0.2%). According to the prevailing logic, that should have been bad for bonds, but so far, it's been the big NFP headline that's won out.

Yields are lower after the data, and they've quickly moved to test what has been the most obvious pivot point for bond markets since at least early February: 2.79%-2.80%. This is the floor that essentially blocked progress for the **entire month of March**. We had an opportunity to move below recently (when stocks were sulking about trade war prospects). During that time, the pivot point acted as a ceiling (something that greatly important pivot points tend to do). The following chart shows the case for viewing this technical level as a team effort between 2.79 and 2.80.

	Rate	Change	Points
30 Yr. Jumbo	6.75%	+0.07	0.39
5/1 ARM	5.98%	-0.27	0.65

Rates as of: 8/30



Breaking (and HOLDING) below this gap today would be **even better** for the longer-term outlook than the break seen at the end of March because it would be occurring with stocks at noticeably higher levels. In other words, we wouldn't be relying on stock market panic in order to explain where new bond buying was coming from. That said, bonds could simply be predicting where stocks are going to end up based on a raft of new trade war news this morning (more tariffs from the US and more threats of retaliation from China).

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