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ALERT: NFP Comes in Mind-Bogglingly High; What Will Bonds Do?

- NFP
 - 304k vs 165k forecast
 - Last month revised to 222k vs 312k forecast
 - Unemployment rate 4.0 vs 3.9
 - Wages 3.2 vs 3.2 forecast, last month revised up to 3.3

This is an **unbelievably strong** jobs report given the beating traders were prepared to see. The Labor Department, however, said that the shutdown actually didn't have a discernible impact on the numbers (apart from the unemployment rate, but we expected that since it was based on the household survey and not actual employer-reported numbers). That means we can digest this report like any old NFP.

From there, we might consider the revision to the previous months taking it down a peg and a half (70k total, but 90k for the previous month). That essentially **makes the previous numbers fairly average** at just over 200k (that's average in the context of a relatively stellar labor market expansion, both in terms of staying power and average payroll count, but then again, this is what we'd hope to see after the biggest recession in modern economic history.

Shockingly, bonds don't seem to mind. 10yr yields have risen slightly but are just barely into negative territory at 2.643%. Fannie 4.0 MBS are in similar shape, down only 1 tick (0.03) at 102-10 (102.31). If we continue holding in this "not too bad" territory today, it will provide a profoundly positive comment on underlying bond market sentiment. In fact, we may already be able to say that given the absence of a more panicked reaction so far.

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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