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## The Day Ahead: Things Are Getting Interesting For Bond Markets

Bond markets sold-off in a fairly big way yesterday, and for no particular reason apart from the fact that they rallied in a fairly big way on Friday. **This is really a thing** when it comes to financial markets.

Even though that assessment seems overly reductive, there are some legitimate complexities behind it. Specifically, big moves flush out one side of the trade (big rallies for short positions to cover/buy and big sell-offs force long positions to capitulate/sell/book profits). But those forced trades **don't** mean that investors have suddenly changed their minds about how they want to be positioned in the market. They simply mean those trades will have to be reset.

In that context, yesterday was simply the 'resetting' of the shorts (traders betting on rates moving higher) that were flushed out on Friday. We can overcomplicate that thesis with plenty of minutia--some of it even relevant--but there's really not much of a point. Bond markets are simply orbiting around the **same old center-of-gravity** that's prevailed for weeks (or **years**, depending on your point of view). Think of it as just another way to "**sideways ahead of x**" where "x" is the biggest event on the horizon. Of course when it comes to the first Fed rate lift-off since 2004, and the first ever lift-off from the zero lower bound, the volatility involved in the broader sideways move is understandably a bit bigger.

## MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 6.0	99.61	<b>+0.14</b>
MBS GNMA 6.0	100.40	<b>+0.10</b>
10 YR Treasury	4.6196	<b>+0.0182</b>
30 YR Treasury	4.7397	<b>+0.0104</b>

Pricing as of: 4/24 2:11AM EST



## Average Mortgage Rates

	Rate	Change	Points
<b>Mortgage News Daily</b>			
30 Yr. Fixed	7.38%	<b>-0.05</b>	0.00
15 Yr. Fixed	6.82%	<b>-0.03</b>	0.00
30 Yr. FHA	6.86%	<b>-0.05</b>	0.00
30 Yr. Jumbo	7.58%	<b>-0.04</b>	0.00
5/1 ARM	7.40%	<b>0.00</b>	0.00
<b>Freddie Mac</b>			
30 Yr. Fixed	7.10%	<b>-0.34</b>	0.00
15 Yr. Fixed	6.39%	<b>-0.37</b>	0.00
<b>Mortgage Bankers Assoc.</b>			
30 Yr. Fixed	7.13%	<b>+0.12</b>	0.00
15 Yr. Fixed	6.64%	<b>+0.18</b>	0.64
30 Yr. FHA	6.90%	<b>+0.10</b>	0.99
30 Yr. Jumbo	7.40%	<b>+0.27</b>	0.46
5/1 ARM	6.52%	<b>+0.11</b>	0.60

Rates as of: 4/23



As for all the high yield bond fund news. Take it with a grain of salt and see it for what it is. Credit has been easy during the recovery from the financial crisis--especially before the mid-2013 taper tantrum. Incidentally, that's when high yield funds **peaked**, both in terms of ETF prices and total assets in ETF funds. It's really **no surprise** that those funds began to decline after that, and also no surprise that they've declined more rapidly as the Fed rate hike materializes.

The PACE of the recent decline could be somewhat surprising, but it depends who you ask. Personally, I see high yield ETFs as the real snapshot of **what the stock market feels like** it's been doing over the past 7 years based on the frustrating, tepid, uneven economic recovery. The big drop heading into the end of this year is perfectly in line with my longer term bearish economic thoughts. Even Blackrock's head of high yield funds says his only major concern is that the drop in the high yield ETF could be a canary in the coal mine for that elusive correction in stocks that we have yet to see.



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With 27+ years of expertise in mortgage banking you can be confident in my knowledge and abilities to deliver a seamless loan transaction while providing personalized service.

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