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# The Day Ahead: Hoping Stocks Don't Get Any Crazy Ideas

- One explanation for bonds' recently negative trend could have to do with stocks
- Not a direct correlation, but big-picture developments could affect bond market mood
- Econ data is limited
- Bonds have their own technicals they'd like to hold

We've mostly approached this week in the context of the less overt trading motivations for bond markets. These include things like the tradeflow motivations that stem from money managers' asset allocation needs, corporate bond hedging, balance sheet manipulation, and strategic goals that transcend near-term economic data--in other words, **everything you can't see** and measure.

On the other side of the mysteriousness spectrum, there are the good old market movers like economic data and stocks. Now, bonds have shown a definite **willingness to break** from the normal 'stock lever' relationship over the shortest time frames, but the stock vs. bond themes are still intact in the bigger picture.

For instance, consider the current status of the potential long-term cyclical reversal we've been watching in stocks. Depending on where you put the trendline, stocks are **already breaking out** of this parabolic ceiling. In the following chart, I zoomed in to show three potential locations with varying degrees of trend steepness. These are also explained in more detail in the attached video.

## MBS & Treasury Market Data

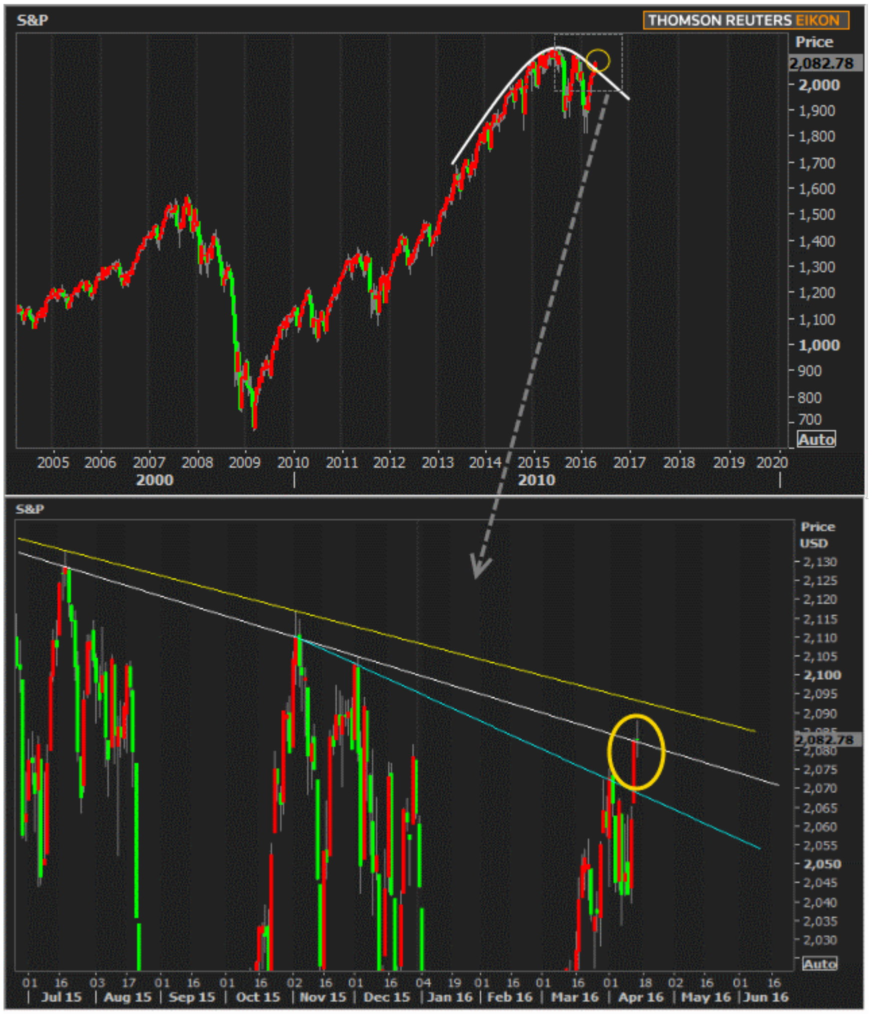
| | Price / Yield | Change |
|---|---|---|
| MBS UMBS 6.0 | 100.35 | -0.05 |
| MBS GNMA 6.0 | 100.73 | -0.04 |
| 10 YR Treasury | 4.4423 | -0.0035 |
| 30 YR Treasury | 4.5845 | +0.0005 |

Pricing as of: 5/21 1:38AM EST


## Average Mortgage Rates

| | Rate | Change | Points |
|---|---|---|---|
| **Mortgage News Daily** | | | |
| 30 Yr. Fixed | 7.10% | +0.01 | 0.00 |
| 15 Yr. Fixed | 6.57% | +0.01 | 0.00 |
| 30 Yr. FHA | 6.64% | +0.02 | 0.00 |
| 30 Yr. Jumbo | 7.35% | 0.00 | 0.00 |
| 5/1 ARM | 7.30% | 0.00 | 0.00 |
| **Freddie Mac** | | | |
| 30 Yr. Fixed | 7.02% | -0.42 | 0.00 |
| 15 Yr. Fixed | 6.28% | -0.48 | 0.00 |
| **Mortgage Bankers Assoc.** | | | |
| 30 Yr. Fixed | 7.08% | -0.10 | 0.63 |
| 15 Yr. Fixed | 6.61% | +0.01 | 0.65 |
| 30 Yr. FHA | 6.89% | -0.03 | 0.94 |
| 30 Yr. Jumbo | 7.22% | -0.09 | 0.58 |
| 5/1 ARM | 6.56% | -0.04 | 0.66 |

Rates as of: 5/20




Bottom line, it's still a fluid situation as far as this reversal goes. Certainly, it could be going better as far as bond markets are concerned. Bonds could be bummed out, relatively speaking, simply due to the fact that stocks are at least trying to break out of their curvy ceiling without just giving up and plummeting to 7yr lows. So far today, we're seeing **a lot more stock lever correlation** than we have in recent days, so it's worth keeping an eye on for the rest of the day, especially with inconsequential reactions to inconsequential economic data.

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