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## MBS Recap: Bonds Abstain, but Risks Remain

Bond markets had an opportunity to jump back on the selling wagon today after yesterday's positive bounce. As we discussed, yesterday's gains were driven, in part, by short-covering. That's another way of saying that **bond sellers** were **taking a quick break** and would decide on their next move when they punched back in.

It looks like they **tried to punch back in** this morning. Despite a weaker-than-expected Retail Sales report, bonds began selling off in the hour following the economic data. One counterpoint may have been that some of the other data was stronger than expected, but I would maintain that Retail Sales is far and away the headliner among today's company. In other words, if bonds were purely trading today's data, we would have seen some gains.

Instead, the positive effects from the weaker Retail Sales data were balanced by the ongoing negative effects. In today's case, we got **another clear glimpse** of bond volatility surrounding the 9:30am NYSE open. This was a "negative effect" today, as it was an opportunity for those "resting short-sellers" (mentioned above) to get back into the market. Clearly, there is a contingent of traders interested in selling bonds, but there weren't enough of them to extend recent losses today.

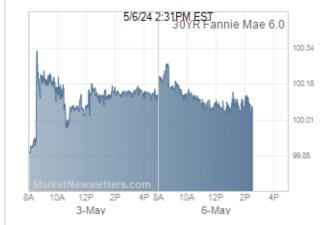
That's grounds for **cautious optimism** as it could be the first step in establishing a more sideways range ahead of next week's Fed Announcement. We'll be able to confirm that if we still haven't seen any new highs in yields after tomorrow's CPI data.

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## MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 6.0	100.07	-0.01
MBS GNMA 6.0	101.03	+0.00
10 YR Treasury	4.4869	-0.0269
30 YR Treasury	4.6415	-0.0296

Pricing as of: 5/6 2:31PM EST



## Average Mortgage Rates

	Rate	Change	Points
Mortgage News I	Daily		
30 Yr. Fixed	7.25%	-0.03	0.00
15 Yr. Fixed	6.68%	-0.07	0.00
30 Yr. FHA	6.64%	-0.06	0.00
30 Yr. Jumbo	7.45%	-0.03	0.00
5/1 ARM	7.32%	-0.03	0.00
Freddie Mac			
30 Yr. Fixed	7.22%	-0.22	0.00
15 Yr. Fixed	6.47%	-0.29	0.00
Mortgage Banker	rs Assoc.		
30 Yr. Fixed	7.24%	+0.11	0.66
15 Yr. Fixed	6.75%	+0.11	0.64
30 Yr. FHA	7.01%	+0.11	0.94
30 Yr. Jumbo	7.45%	+0.05	0.56
5/1 ARM Rates as of: 5/6	6.64%	+0.12	0.87

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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.

Rich E. Blanchard



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