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MBS Recap: Corporate Bonds Interrupt Flat Afternoon

It was a **pretty simple day** as far as bond markets are concerned. The collective unconscious of the bond-trading population was perfectly content to extent the weekend, unofficially. For most of the day, it looked like a perfectly viable plan, considering a relative absence of movement in Treasuries and MBS. But plans were foiled in the late afternoon by **corporate bond issuance**.

Particularly, Shire off-loaded \$12.1 bln in 3, 5, 7, and 10yr notes. For perspective, anything over \$10bln would be considered a "heavy day" of **CUMULATIVE** corporate bond issuance (i.e. from multiple sellers). When it's coming from **just one deal**, the moral of the story is that it's a very big deal.

Only a few corporate deals per year go over \$10bln, so when one of them hits on a sleepy monday, bonds feel it. This was the **exclusive** and incontrovertible source of this afternoon's bond market weakness. Even then, it left 10yr yields a mere 1.3bps higher on the day and Fannie 3.0 MBS just over an eighth of a point lower. Both also remain well within last week's new, weaker range as they continue grinding toward this Wednesday's central bank announcements (Bank of Japan and the Fed).

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MBS & Treasury Market Data

| | Price / Yield | Change |
|----------------|---------------|----------------|
| MBS UMBS 6.0 | 99.37 | +0.30 |
| MBS GNMA 6.0 | 100.35 | +0.27 |
| 10 YR Treasury | 4.6645 | -0.0394 |
| 30 YR Treasury | 4.7739 | -0.0400 |

Pricing as of: 4/26 5:05PM EST



Average Mortgage Rates

| | Rate | Change | Points |
|--------------------------------|-------|--------------|--------|
| Mortgage News Daily | | | |
| 30 Yr. Fixed | 7.45% | -0.07 | 0.00 |
| 15 Yr. Fixed | 6.86% | -0.05 | 0.00 |
| 30 Yr. FHA | 6.95% | -0.05 | 0.00 |
| 30 Yr. Jumbo | 7.64% | -0.04 | 0.00 |
| 5/1 ARM | 7.50% | -0.05 | 0.00 |
| Freddie Mac | | | |
| 30 Yr. Fixed | 7.17% | -0.27 | 0.00 |
| 15 Yr. Fixed | 6.44% | -0.32 | 0.00 |
| Mortgage Bankers 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 | 6.64% | +0.12 | 0.87 |

Rates as of: 4/26

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