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UPDATE: Bonds Still Red Despite Modest Bounce Back From Overnight Weakness

The overnight session was bumpy for bond markets, primarily due to European trading hours. Treasuries held relatively steady during Asian hours, but things quickly changed once Europe sat down for the day. Case in point:



Keep in mind as you look at this chart that the German 10yr isn't operating on the same y-axis as the US 10yr. German Bunds only rose about 4 bps trough to peak vs 10yr yields moving 6bps over the same time. The purpose of the chart is more to show that it was the inception of European bond trading that served as the jumping-off point for overnight bond weakness. This isn't necessarily due to European bonds trading weaker and "pulling" Treasuries along for the ride as much as it is the simple act of European bond traders selling Treasuries.

On a potentially important note, 10yr yields spiked to 2.297 just after 7am--right in line with the very important 2.30 level (also hit on Monday). Bonds have rallied moderately since then, once again with seemingly very little regard for economic data. Producer prices came in MUCH weaker than expected and the bond market response was barely noticeable. In fact, it did nothing to alter the trend that was in place from 7am. Industrial Production is up next at 9:15am.

MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 6.0	100.09	+0.31
MBS GNMA 6.0	101.03	+0.29
10 YR Treasury	4.5138	-0.0657
30 YR Treasury	4.6711	-0.0579

Pricing as of: 5/3 5:04PM EST

Average Mortgage Rates

	Rate	Change	Points
Mortgage News Daily			

30 Yr. Fixed	7.28%	-0.09	0.00
15 Yr. Fixed	6.75%	-0.07	0.00
30 Yr. FHA	6.70%	-0.12	0.00
30 Yr. Jumbo	7.48%	-0.07	0.00
5/1 ARM	7.35%	-0.07	0.00

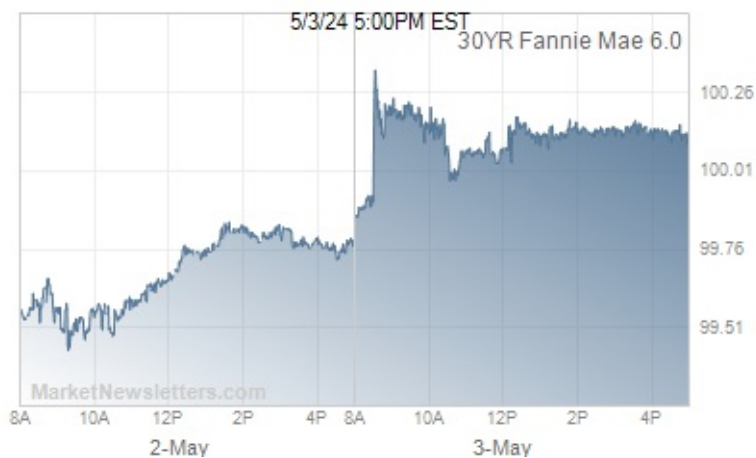
Freddie Mac

30 Yr. Fixed	7.22%	-0.22	0.00
15 Yr. Fixed	6.47%	-0.29	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: 5/3



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