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## The Week Ahead: Liquidity Returns For Bonds, and Maybe Some Hope

Bond markets were stronger right out of the gate in the overnight session with 10yr yields opening at 2.337 and gaining another bp since then. The relatively small difference between opening and current levels is our first clue that there are no major market movers behind the rally. There are no relevant economic reports or bond-friendly headlines.

Rather, this is simply one of the possibilities every year on the week after thanksgiving. When Wednesday's (and sometimes Friday's) trading sees a sharp move in either direction, the post-Thanksgiving Monday has at least a 50/50 shot at erasing the pre-Thanksgiving move. So far, that's all this is.



Whether or not bonds can build on the moderately strong momentum remains to be seen. Again, the strength has more to do with 'unwinding' last week's illiquid trade rather than the debut of organically strong momentum, destined to lead a deeper recovery.

## MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 6.0	100.40	<b>-0.15</b>
MBS GNMA 6.0	100.78	<b>+0.04</b>
10 YR Treasury	4.4223	<b>+0.0454</b>
30 YR Treasury	4.5610	<b>+0.0549</b>

Pricing as of: 5/17 5:59PM EST



## Average Mortgage Rates

	Rate	Change	Points
<b>Mortgage News Daily</b>			
30 Yr. Fixed	7.09%	<b>+0.07</b>	0.00
15 Yr. Fixed	6.56%	<b>+0.03</b>	0.00
30 Yr. FHA	6.62%	<b>+0.07</b>	0.00
30 Yr. Jumbo	7.35%	<b>+0.04</b>	0.00
5/1 ARM	7.30%	<b>+0.06</b>	0.00
<b>Freddie Mac</b>			
30 Yr. Fixed	7.02%	<b>-0.42</b>	0.00
15 Yr. Fixed	6.28%	<b>-0.48</b>	0.00
<b>Mortgage Bankers Assoc.</b>			
30 Yr. Fixed	7.08%	<b>-0.10</b>	0.63
15 Yr. Fixed	6.61%	<b>+0.01</b>	0.65
30 Yr. FHA	6.89%	<b>-0.03</b>	0.94
30 Yr. Jumbo	7.22%	<b>-0.09</b>	0.58
5/1 ARM	6.56%	<b>-0.04</b>	0.66

Rates as of: 5/17

We have a **few hurdles** to clear before getting our hopes up for such a recovery. Some of these can be viewed as outright trading levels that have continued to emerge as important technical lines in the sand. Two of the best candidates are 2.287 and 2.18% in 10yr yields. Breaking below 2.287 would be akin to "game on" for bond bounce potential. Breaking 2.18 would be like winning that game (assuming yields could then hold below).

There are several different ways to define "**winning**" in terms of technical analysis as well. Two of the most mainstream technical studies are **stochastics** and **RSI** (relative strength index). Both are looking friendlier to start the week, but neither have confirmed a momentum shift just yet.



On a final note, keep in mind that the trading on Thursday and Friday is **more relevant to the bigger picture** trend for a few reasons. First of all, we'll simply have more of the week's data out the way by the end of the week. That much is obvious. But Thursday also marks the start of December's trading. As such, if there is or has been any distortion in trading levels due to the **month-end index extensions**, that's when we'd see more organic momentum come to the surface.

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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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