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UPDATE: Nice Bounce Back, But There's a Catch

When 10yr yields approached 2.50% earlier, the sell-off was finally abject enough for traders to take the risk of "buying the dip" in bond prices. We've had a nice rally back since then. 10yr yields are all the way back down to 2.446 and Fannie 3.5s have bounce from 101-31 to 102-10. Several lenders have repriced for the better and several more may consider doing the same. But **there's a catch**.

On almost any other day, this would constitute a **huge** rally. But today, those gains leave us at **WORSE** levels than anything seen yesterday--significantly worse, in fact. Therein lies the problem. Value buying (aka "buying the dip" and/or "catching the falling knife") is to be expected after a certain amount of selling momentum, but it's what happens **AFTERWARD** that's important.

In the current case, the dip-buying rally has **failed to break** today's earlier pivot points. The best one to watch at the moment is actually a "gap" (a small range of yields, as opposed to one outright level) from 2.416 to 2.433. Let's just call it 2.42-2.43% in 10yr yields.

That gap may or may not be broken in the following 2 hours, but the fact that it **wasn't** broken **before** the 3pm CME close is a **big deal**. We could start to read some more significance into an 'after-hours' break if it occurred with strong volume and follow-through.



MBS & Treasury Market Data

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

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

Average Mortgage Rates

	Rate	Change	Points
Mortgage News Daily			

30 Yr. Fixed	7.09%	+0.07	0.00
15 Yr. Fixed	6.56%	+0.03	0.00
30 Yr. FHA	6.62%	+0.07	0.00
30 Yr. Jumbo	7.35%	+0.04	0.00
5/1 ARM	7.30%	+0.06	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: 5/17

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