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MBS Recap: With Sippy Birds on Sell Buttons, Bond Traders Left Early

You're familiar with the sippy bird (or "[drinking bird](#)")? For years, these little birds have been offering traders the ability to get out of the office early with no one noticing. Conditions have to be just right though. Specifically, it has to be a day like today when everyone is interested in **repeatedly pressing the "SELL" button** in bond markets.

It **wasn't** a foregone conclusion that today would be a great day for such repetitive selling, but it quickly became clear as the afternoon hours rolled in. What can we blame this on?

In my view, there was actually **a bit of realization** among traders about the challenges presented by next week's condensed auction schedule (Treasury crammed the normal Tue/Wed/Thu auction cycle into the first 2 days of the week, with 2 of the auctions on Monday).

It's **not** like this was news to traders, but you'd be surprised how "human" traders can be when it comes to **spacing out** on weird calendar changes in the coming week. It's not uncommon for these idiosyncratic scheduling changes to result in light-bulb moments for traders.

If nothing else, the scheduling change serve to **bring other traders' strategies into the light**. For instance, "Trader A" may have wondered how "Trader B" would approach the weekend--knowing that next week would be tricky. If Trader B ends up selling aggressively, Trader A's light-bulb moment might be something to the effect of: "oh crap, I guess I need to get on this selling bandwagon too."

This is an oversimplification, of course, but the same premise underlies much of our dialogue on snowball rallies and sell-offs. The **bottom line** is that anxious traders are quicker to jump on bandwagons, and traders are definitely anxious. I don't think the level of anxiety caused by the condensed auction cycle was truly appreciated until noon today, and by then, the flock of sippy birds was already quite large.

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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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