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The Day Ahead: Bonds Are Officially in a Positive Short-Term Trend

Bonds Are Officially in a Positive Short-Term Trend. This was also the case heading into mid January, but steady selling following Yellen's speech (Jan 18) **shattered the dream** of a deeper recovery from post-election highs. As of Jan 25th, we may well have worried that the longer-term uptrend would be back en vogue--something that we could identify by a break above mid-December highs in Treasury yields.

But bonds bounced on the 26th, and they've been in a **fairly linear downtrend** since then. As the chart shows, yesterday (2nd candlestick from the right... the big green one) was the strongest day of that trend, and it challenged the lower boundary.



Without a doubt, the notion of a meaningful rally is the **underdog** since the election. It stands to reason that there's a far higher probability of strong moves being met with logical resistance. In plainer terms, if rates make a strong move to the lower yellow line, there's **more motivation** than normal

MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 6.0	100.39	+0.24
MBS GNMA 6.0	101.24	+0.21
10 YR Treasury	4.4247	-0.0137
30 YR Treasury	4.5725	-0.0125

Pricing as of: 5/15 4:00AM EST



Average Mortgage Rates

	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	7.11%	-0.01	0.00
15 Yr. Fixed	6.61%	-0.01	0.00
30 Yr. FHA	6.58%	-0.01	0.00
30 Yr. Jumbo	7.37%	0.00	0.00
5/1 ARM	7.29%	-0.01	0.00
Freddie Mac			
30 Yr. Fixed	7.09%	-0.35	0.00
15 Yr. Fixed	6.38%	-0.38	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: 5/14

for a bounce that keeps them between the lines.

There are no major market movers on tap as far as econ data is concerned today. The **3yr Treasury auction** at 1pm has some chance to have a modest effect, but markets are far more interested in tomorrow's 10yr auction (and Thursday's 30yr).

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