Mortgage Market Update



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UPDATE: Gains Extend After Weaker Data, **But Not Because of It**

Bonds just ticked to the **best levels** of the day. Given that this happened in relative proximity to the 10am data, it's tempting to conclude the data had something to do with the move. That does not appear to be the case, however.

Let's start with **the data**:

- New Home Sales 555k vs 570k forecast, last month revised to 535k from 536k
- Consumer Sentiment 96.3 vs 96.0 forecast, 5-yr inflation expectations fell to 2.5 from 2.6%

There's no major drama in the data. Certainly, it's not unfriendly to bond markets, but neither is it cause for an immediate rally. These reports aren't major market movers in the first place and these results are close enough to the consensus as to be shrugged off.

More importantly, there was no volume or volatility response right at 10am (which is what we would expect from a data-driven move). Rather, volume and buying demand picked up at **10:11am**, both at home and in Europe. This was a bond-specific move (not highly correlated with stocks/currencies/etc), suggesting month-end buying or other tradeflow-driven demand (i.e. closing short positions ahead of the weekend, or technical/algorithmic trading).

10yr yields are now down 4bps at 2.335 and Fannie 3.5s are up a quarter point at 102-23. February's closing low for 10yr yields is 2.325. That would be the next major resistance. 2017's intraday low is 2bps below that at 2.305. That would be maximum resistance.

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MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 6.0	100.68	-0.11
MBS GNMA 6.0	101.33	-0.15
10 YR Treasury	4.3701	+0.0296
30 YR Treasury	4.5122	+0.0056
Pricing as of: 5/16 12:38PM EST	Г	

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Average Mortgage Rates

	Rate	Change	Points
Mortgage News	Daily		
30 Yr. Fixed	6.99%	0.00	0.00
15 Yr. Fixed	6.51%	+0.01	0.00
30 Yr. FHA	6.50%	-0.02	0.00
30 Yr. Jumbo	7.29%	-0.01	0.00
5/1 ARM	7.22%	+0.02	0.00
Freddie Mac			
30 Yr. Fixed	7.02%	-0.42	0.00
15 Yr. Fixed	6.28%	-0.48	0.00
Mortgage Banke	rs 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: 5/16			

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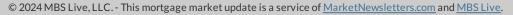


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