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UPDATE: Bonds Battle Back With No Help From Data

After beginning the day in **moderately weaker** territory, bond markets have rallied back to nearly-unchanged levels. With several economic reports out this morning, it's tempting to conclude that the econ data motivated the movement, but things don't line up very well for that argument.

First of all, the Chicago PMI data was stronger than expected (58.3 vs 56.4), yet bonds were clearly rallying **before and after** the report's 9:45am release time. We could take a moment to discuss the reaction to the 10am Consumer Sentiment data, but it would be a waste of time. I'll just go ahead and tell you that it wasn't a market mover. Moreover, we can clearly see several other sources of inspiration.

The first would be European bond markets where German Bunds have drawn a line in the sand (a sandy ceiling, if you will), at .354%. After a brief, obligatory response to better inflation data in the 8:30am data, **Treasuries took heart** in the fact that German Bunds were remaining under their sandy ceiling. US bond markets began to rally shortly thereafter.

As noted, Chicago PMI **didn't get in the way** of the rally, and there wasn't much of a response at all to the Consumer Sentiment data at 10am. Bonds simply rallied after getting close to the week's highest yields. They rallied a bit more as equities markets fired up at 9:30am. Both of those developments imply **month-end bond buying** is helping fuel the gains.

10yr yields are now up only half a bp on the day at 2.305 and Fannie 3.5s are unchanged at 102-24.

Note: month-end trading creates a greater risk of volatility centered on the 3pm CME close. It could work for or against us, and it might not happen at all. Still, it's good to be aware of the potential for bigger moves in the afternoon. Beyond that, our baseline assumption is for bonds not to make any aggressive moves off the fence (discussed in [Day Ahead](#)) until next week.

MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 6.0	100.55	-0.25
MBS GNMA 6.0	101.31	-0.18
10 YR Treasury	4.3856	+0.0087
30 YR Treasury	4.5297	+0.0236

Pricing as of: 5/17 4:57AM EST

Average Mortgage Rates

	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	7.02%	+0.03	0.00
15 Yr. Fixed	6.53%	+0.03	0.00
30 Yr. FHA	6.55%	+0.03	0.00
30 Yr. Jumbo	7.31%	+0.01	0.00
5/1 ARM	7.24%	+0.04	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: 5/16



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