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The Day Ahead: Bonds May Be Taking a Lead-Off For Their Next Move

I frequently use the **lead-off** analogy to characterize financial markets' propensity to start drifting in the direction of their next most-desired direction. Defining "most-desired" is **tricky** business because it can often be the case that bonds don't know exactly which direction that will be until they get all the data.

The next 4 days offer a great example. If, for instance, all of the key events unfold in a bond-friendly manner, bonds would likely be compelled to rally. But if we adjust the probabilities of the outcomes to 50/50, a rally is far from guaranteed. In fact, **technicals** and **tradelows** are suggesting the "lead-off" in this case may be toward higher rates.



That leaves the onus on the events to unfold in a bond-friendly manner, or else...

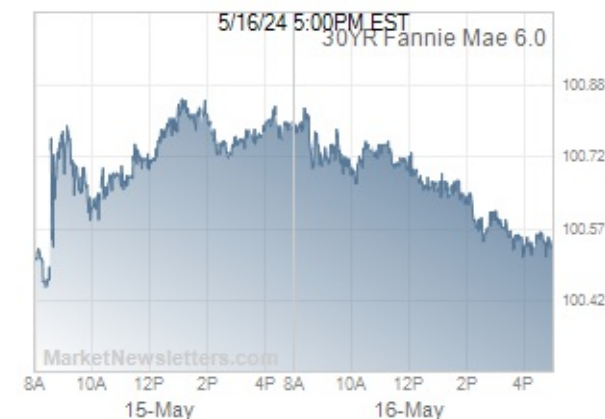
For the record, the key events as I see them are today's potential healthcare vote, tomorrow's NFP, and the weekend's French runoff election.

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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	4.3177	-0.0228
30 YR Treasury	4.5131	+0.0070

Pricing as of: 5/16 11:20PM 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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With 27+ years of expertise in mortgage banking you can be confident in my knowledge and abilities to deliver a seamless loan transaction while providing personalized service.

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