Mortgage Market Commentary



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The Day Ahead: Auction Cycle Ends; Bonds Still Have a Shot

Tuesday of this week was a bit alarming for bond markets as it introduced the possibility that yields were opting for upward momentum after bottoming out amid last week's political drama. If we'd seen additional weakness yesterday, the **case might have been closed** on the momentum reversal (i.e. a shift back toward a trend higher in yields).

Instead, the combination of a strong 5yr auction and friendly Fed minutes helped bonds find their footing. Whatever happens in the last day and a half of this week is likely of little consequence now that we've seen that bounce. There are **two reasons** for this.

First, any additional weakness would have to carry 10yr yields over 2.305 in order to fundamentally alter the bigger picture--namely that yields have generally broken below 2.305 after trading above it from early November through early April.

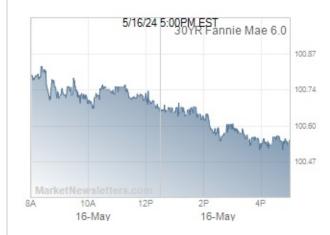
Second, it's a 3-day weekend with an early close tomorrow. Lots of traders are either out of the office or trading with the main purpose of making it to tomorrow's closing bell with minimal drama.

On the other side of the spectrum, the **positive** developments would also need to be taken with a grain of salt. These include a break below the yellow trendlines seen in the following chat, or simply holding ground under the 2.27% technical level. Office: 720.619.9900 Mobile: 303.328.7047 Fax: 214.975.2874 richblanchard@richhomeloans.com View My Website

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 | 4.3696 | -0.0073 |
| 30 YR Treasury | 4.5131 | +0.0070 |
| Pricing as of 5/17 1.23AM EST | | |

Pricing as of: 5/17 1:23AM 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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Today brings the **final Treasury auction** of the week in the form of 7yr notes at 1pm. We may see an uptick in volatility (for better or worse) after that.

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Rich E. Blanchard



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