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## UPDATE: Modest, Friendly Bounce After ISM Data

Bond market momentum **had been** negative all morning. This began as early as 7:15am but kicked into higher gear with the stronger ADP data. Mid-afternoon weakness in European bond markets spilled over to domestic bond markets in the run up to the 9:30am NYSE open.

The **first** noticeable bounce came at 9:30am, but didn't undo too much of the losses seen in the first few hours of trading. The just-released ISM data is also helping bonds hold their ground. The first reaction was slightly positive, but much like the 9:30am move, the emphasis is on "slight."

Here are a few **ISM highlights**:

- Headline ISM PMI 54.9 vs 54.5 forecast
- Prices 60.5 vs 66.4 forecast--lowest since November
- Employment Index 53.5 vs 52.8 previously

Construction spending data could also be **helping** the bounce (-1.4 vs +0.5 forecast).

From here, we can watch the high yields of the day as a stop-loss for negative reprice risk (in other words, if 10yr yields hit 2.24% or higher, negative **reprice risk would be increasing**. Otherwise, it serves as a base of operations, and we'll see how much progress we can make from there. Breaking below 2.21% would be the first real victory. If we make it that far, we'll discuss other levels to watch in a separate update. The biggest immediate risk is that the 8:30am low yields end up acting as a floor for the current post-ISM rally.

## MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 6.0	100.55	<b>-0.25</b>
MBS GNMA 6.0	101.31	<b>-0.18</b>
10 YR Treasury	4.3264	<b>-0.0141</b>
30 YR Treasury	4.5131	<b>+0.0070</b>

Pricing as of: 5/16 11:02PM EST

## Average Mortgage Rates

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

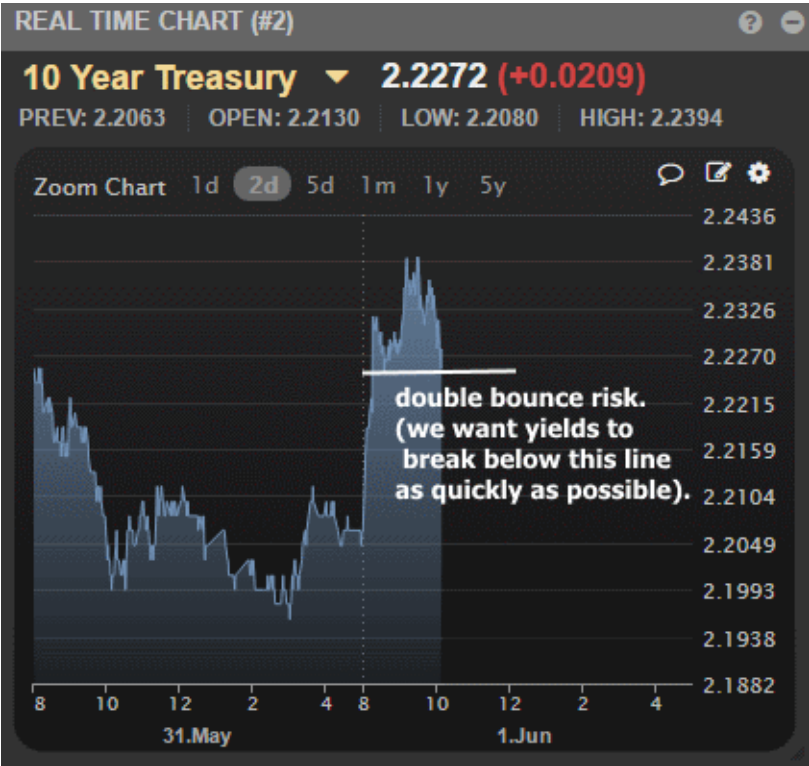
### Freddie Mac

30 Yr. Fixed	7.02%	<b>-0.42</b>	0.00
15 Yr. Fixed	6.28%	<b>-0.48</b>	0.00

### Mortgage Bankers Assoc.

30 Yr. Fixed	7.08%	<b>-0.10</b>	0.63
15 Yr. Fixed	6.61%	<b>+0.01</b>	0.65
30 Yr. FHA	6.89%	<b>-0.03</b>	0.94
30 Yr. Jumbo	7.22%	<b>-0.09</b>	0.58
5/1 ARM	6.56%	<b>-0.04</b>	0.66

Rates as of: 5/16



10yr yields are currently up 2bps on the day at 2.227 and Fannie 3.5s are an eighth of a point lower at 103-03.



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