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UPDATE: MBS Quietly Battle Back as Treasuries Grind Sideways

Today's trading session has been a classic example of what we sometimes refer to as an unofficial 3rd day of the weekend. This is somewhat surprising, given that Friday was a **high-volume**, **high-movement day**, and that today's economic calendar had at least one big-ticket market mover. Even so, the absence of volume and volatility speak for themselves.

MBS have been **outperforming** Treasuries for a few reasons. The easiest observation to make is that Treasuries outperformed MBS on Friday, and today is payback. It's not uncommon for Treasuries to lead bigger, risk-off moves and for MBS to close the gap when Treasuries settle down. That's exactly what the 2-day pattern looks like.

MBS & Treasury Market Data

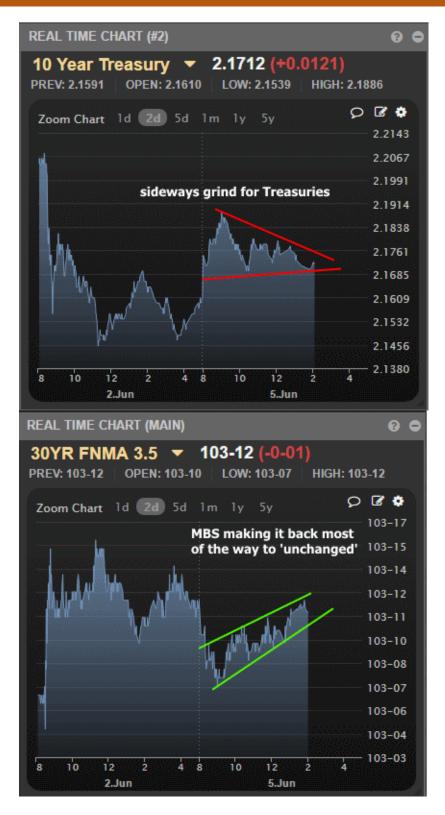
	Price / Yield	Change
MBS UMBS 6.0	100.40	-0.15
MBS GNMA 6.0	100.78	+0.04
10 YR Treasury	4.4223	+0.0454
30 YR Treasury	4.5610	+0.0549

Pricing as of: 5/17 5:59PM EST

Average Mortgage Rates

	Rate	Change	Points
Mortgage News I	Daily		
30 Yr. Fixed	7.09%	+0.07	0.00
15 Yr. Fixed	6.56%	+0.03	0.00
30 Yr. FHA	6.62%	+0.07	0.00
30 Yr. Jumbo	7.35%	+0.04	0.00
5/1 ARM	7.30%	+0.06	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

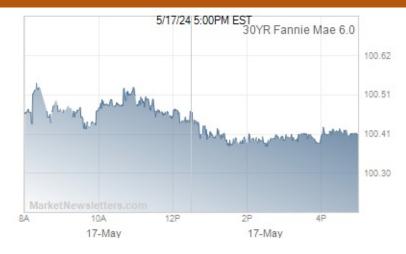
Rates as of: 5/17



A fairly active slate of corporate bond issuance is also causing some **extra pressure** for Treasuries. To understand why corporate issuance affects Treasuries more than MBS, read this primer.

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