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## The Day Ahead: Dark Horse Bond Rally Still In The Race?

In a world where race horses are named after bond market movements, there has been some easy betting in the past two months. The winners circle has been almost certain to include **such names as** Blown Lock, Rate Spike, Forced Liquidation, Unfriendly Trend, Pain Trade, Not-A-Floater, and the perennial favorite Snowball's Sell-Off. I could go on, but alas, we have work to do.

There are other horses in the race although you wouldn't have known it until 2 days ago when a dark horse, **Bond Rally**, ran the **most impressive race** we've seen in years. After reviewing the footage, however, we see that the body shape of another horse, Stock Rout, allowed Bond Rally to do some serious drafting. Stock Rout was so massive that Bond Rally didn't have to work very hard to make great time.

It remained to be seen how Bond Rally would fare with its face in the wind as opposed to another horse's... You get the idea.

My contention yesterday was that bonds **needed a ton of help** from stocks in order to muster a rally. The S&P drop of more than 7% on Monday only garnered a 1.4% move in 10yr futures prices. With Stock Rout falling out of the race yesterday, Bond Rally suddenly slowed down. Today, we may see Bond Rally **continue** giving up ground, but as of this morning, it's **still in the race**.

Shifting gears to real words now, take a look at the chart below. All of the indicators are correlated in recent days. To whatever extent they avoid breaking above the horizontal lines, bonds will continue to have a chance to stabilize. To be clear, I'm only thinking about reinforcing recent ceilings in the mid 2.8% range for 10yr yields. The best hope would be to see that zone become a sort of base camp for additional rally attempts. We have yet to see enough sustained buying to get too hopeful.

## MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 6.0	100.09	<b>+0.31</b>
MBS GNMA 6.0	101.03	<b>+0.29</b>
10 YR Treasury	4.5138	<b>-0.0657</b>
30 YR Treasury	4.6711	<b>-0.0579</b>

Pricing as of: 5/3 5:04PM EST



## Average Mortgage Rates

	Rate	Change	Points
<b>Mortgage News Daily</b>			
30 Yr. Fixed	7.28%	<b>-0.09</b>	0.00
15 Yr. Fixed	6.75%	<b>-0.07</b>	0.00
30 Yr. FHA	6.70%	<b>-0.12</b>	0.00
30 Yr. Jumbo	7.48%	<b>-0.07</b>	0.00
5/1 ARM	7.35%	<b>-0.07</b>	0.00
<b>Freddie Mac</b>			
30 Yr. Fixed	7.22%	<b>-0.22</b>	0.00
15 Yr. Fixed	6.47%	<b>-0.29</b>	0.00
<b>Mortgage Bankers Assoc.</b>			
30 Yr. Fixed	7.24%	<b>+0.11</b>	0.66
15 Yr. Fixed	6.75%	<b>+0.11</b>	0.64
30 Yr. FHA	7.01%	<b>+0.11</b>	0.94
30 Yr. Jumbo	7.45%	<b>+0.05</b>	0.56
5/1 ARM	6.64%	<b>+0.12</b>	0.87

Rates as of: 5/3



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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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