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MBS Recap: Bonds Successfully Run Gauntlet of Big Ticket Events

There was a lot that could have gone wrong for the bond market today, given the confluence of big-ticket events (Powell testimony, 10yr auction, Fed minutes, technical momentum shifts). **Not only** did bonds run that gauntlet with minimal damage, they were able to bounce back from some significant weakness in the overnight session.

The losses began primarily during European market hours with a slew of stronger than expected economic reports and weaker bond auctions to blame. Naturally, European bonds bore the brunt of that weakness, but it was more than enough for 10yr yields to **move decisively up** and out of the recent 1.97-2.07 range.

Powell's prepared remarks offered the day's **first major salvation**. They fully acknowledged a shift in the Fed's perceived risks and likely course of action. Perhaps more importantly, they gave no credit last week's strong jobs report as something that might derail the shift. Powell himself doubled down on that same notion when asked about it during his testimony. Additionally, he was never forced to comment on whether he thought markets had gotten ahead of themselves with respect to rate cut forecasts by the end of 2020.

All of the above having been said, Powell certainly **didn't** promise those rate cuts. He said it would depend on a variety of economic indicators. As such, it was no surprise to see bonds hesitate to gain more ground than they already had.

In day over day terms, the short end of the curve was the **big winner** for obvious reasons. We basically have a confirmed Fed rate cut in 3 weeks, and 2yr yields would benefit from that much more than 10yr yields. For their part, 10's managed to make it back under 2.07%, but not by much. The relatively weak 10yr auction pushed yields briefly higher, and they only made it back to the mid 2.06's by the 3pm CME Close.

Tomorrow brings another day of Fed testimony, but Day 2 usually **isn't** as big an event as Day 1. After all, it was the prepared remarks that moved markets more than anything and those won't change. There will also be a smattering of economic data with CPI being the headliner at 8:30am ET.

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MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 6.0	100.09	+0.31
MBS GNMA 6.0	101.03	+0.29
10 YR Treasury	4.5138	0.0000
30 YR Treasury	4.6711	0.0000

Pricing as of: 5/5 7:51PM EST



Average Mortgage Rates

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

Rates as of: 5/3

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