Mortgage Market Update



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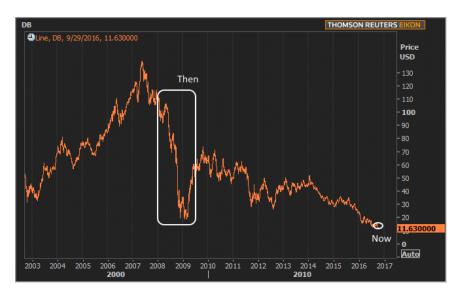
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UPDATE: Bonds Rally Due to Run on The (Deutsche) Bank

You've heard of a "run on the bank." Today brings something of a run on Deutsche Bank. The firm has been in the news recently as being at risk of becoming Europe's junior varsity version of Lehman Brothers circa 2008. While that would be a generous assessment in terms of the surprise and fallout that would be associated with a DB failure/bailout, the developments are certainly worthy of short-term, moderately-sized market movement, depending on the day

Today is one such day as Bloomberg reported widespread withdrawals among hedge funds holding capital with the bank. DB shares tanked and credit default swaps spiked. But to give you an idea of the context as far as "Lehman moments" are concerned, the heretofore losses in DB merely bring the stock price back in line with recent lows--a drop of less than 1 dollar. Additionally, DB has been in relatively perpetual decline since the beginning of 2014. It's not like the stock is cliff-diving from historical highs to 10% of its value a la Lehman.

If you really want an idea of the context, consider DB vs itself from 2008. The following chart shows the cliff-dive during the financial crisis. Then consider that all of today's cliff diving takes place in the itty bitty little white circle labeled "Now."



MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 6.0	99.78	+0.32
MBS GNMA 6.0	100.74	+0.26
10 YR Treasury	4.5753	-0.0042
30 YR Treasury	4.7202	-0.0088
Drising as of E/2 E-09 AM EST		

Average Mortgage Rates

	Rate	Change	Points
Mortgage News	Daily		
30 Yr. Fixed	7.37%	-0.04	0.00
15 Yr. Fixed	6.82%	-0.02	0.00
30 Yr. FHA	6.82%	-0.06	0.00
30 Yr. Jumbo	7.55%	-0.05	0.00
5/1 ARM	7.42%	-0.08	0.00
Freddie Mac			
30 Yr. Fixed	7.22%	-0.22	0.00
15 Yr. Fixed	6.47%	-0.29	0.00
Mortgage Banke	rs 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: 5/2

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If your response was "ZZZzzz...," you're right! It's not a big deal in the bigger picture, but it has been enough to get things moving this afternoon. In addition, we can assume that month-end buyers are generally helping bonds, and that opportunistic "fast money" traders have seized this opportunity to benefit from the intraday momentum.

All that having been said, 10yr yields are down only 1.9bps at 1.553, and Fannie 3.0s have gained back the eighth of a point they lost yesterday.



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