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MBS Recap: Weak Start. Strong Finish

Yesterday's headline was "strong start; weak finish." Today's is the **opposite** (obviously). In both cases, geopolitical issues played a role in overnight volatility with Germany's immigration policies at center stage ([really good primer from WaPo](#)). Part of the overnight weakness had to do with "risk-off" implications from a new deal that German Chancellor Angela Merkel was said to be working on with another of Germany's political parties. But as headlines emerged that called that deal into question, markets began to shift.

Treasuries didn't do much with the aforementioned "shift" **until** domestic traders got in for the day. Starting at 8:20am, however, buyers dominated and equities futures began to slide. The movement during this time was very much led by Treasuries and not a factor of stocks or oil prices or anything else you may have read about. **If we must** chalk it up to a fundamental development, we would say that traders were closing out positions ahead of the mid-week holiday break and that positions are skewed toward shorts (covering shorts = bond buying).

10yr yields ended up rallying more than 4bps in total, but weren't able to break through recent resistance at 2.82+%. MBS rallied a quarter point from opening levels, which was enough to bring them back in line with the core range from the past 5 days.

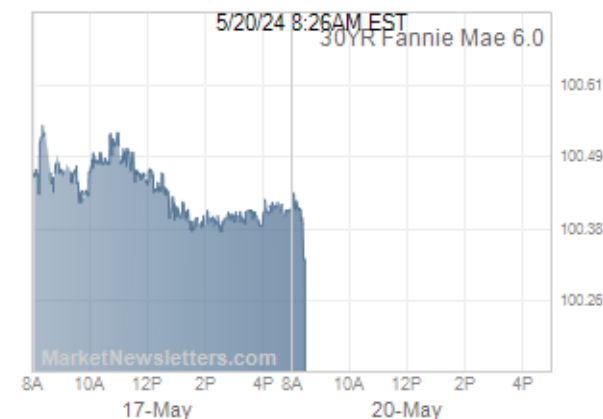
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MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 6.0	100.33	-0.07
MBS GNMA 6.0	100.75	-0.03
10 YR Treasury	4.4345	+0.0122
30 YR Treasury	4.5749	+0.0139

Pricing as of: 5/20 8:25AM EST



Average Mortgage Rates

	Rate	Change	Points
Mortgage News 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 Bankers 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

