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The Day Ahead: In Some Ways, The Last Day of The Month

It's the day before before Thanksgiving, and bond markets couldn't be any less interesting if they tried. Have you ever been so enticed to continue reading about bond markets?!

Truth be told, there is a somewhat **interesting conclusion** to be gleaned from the lack of excitement, and that is that bond markets are right where they want to be heading into the Fed's December meeting. Not only that, but they've been there since before NFP.

I should clarify that we're talking about **longer maturities** only (which implicitly includes MBS, by the way). 2yr Treasuries, for instance have had more of an interesting journey over the past few weeks. 10yr Treasuries, on the other hand, underwent their obligatory pop to higher yields following NFP and have slowly set about the task of returning to pre-NFP levels as of today.

In fact, those pre-NFP levels figure prominently into the pre-Thanksgiving tradeflow environment. Traders betting on rates moving higher were rewarded with the extra strong NFP (which pushed rates quickly higher). As stronger hands traded rates back to lower levels, the traders holding short positions have increasingly covered those bets. This, of course, leaves them with money to put work, and nothing about the past few weeks would offer too much of a deterrence to "re-shortening" bonds, **provided the target levels were reached**.

These target levels will vary by trader, and we've no doubt seen bits and pieces of "re-shortening" as yields have fallen. (This is part of the reason that bond bulls haven't been able to get a strong rally started, although general anxiety ahead of December's key events isn't helping either.) We arguably witnessed another "re-shortening" opportunity made possible by yesterday's Turkey/Russia news. Yields fell below 2.21 on two occasions and were **scooped up by sellers** both times.

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 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



In the bigger picture, 10yr yields continue to merely gravitate toward 2.25, ostensibly waiting for something and perhaps drawing some strength from uncommonly favorable month-end bond market index adjustments. After all, with the end of the month falling on the Monday after Thanksgiving, **today is really "it"** as far as month-end liquidity is concerned (Friday will be dead). We might just be seeing an early month-end bid. If so, we'll know on Tuesday!

As with any Wednesday before Thanksgiving, today is utterly satiated with scheduled data, as can be seen on the econ calendar below. Whether it moves markets is another story. It wouldn't be crazy to expect the bigger moves after the 10am data, and for those moves to be driven more by the trading goals of market participants who are wrapping things up for the day/week/month.

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