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## MBS Recap: Here's Why Bond Markets Rallied Hard Today

If you didn't catch the mid-day commentary, it has a good recap of most of the day's activity. If you're not into links, here are the important parts, distilled into TGIF-style brevity:

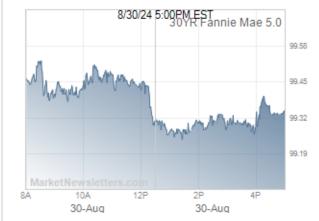
- MBS underperformed Treasuries in a big way due to market volatility (which almost always sees Treasuries making the bigger move, regardless of direction) and because of the next bullet point.
- Treasury yields--unbeknownst to us without the benefit of hindsight-were set up to fall like dominoes today due to a preponderance of short positions (traders betting on rates going higher).
- Many market sectors saw investors move to cash or close out positions in order to be nimble ahead of the Fed. A short position in Treasuries is closed (or 'covered') by buying bonds.
- The short-covering rally in Treasuries was further fueled by weakness in stocks and oil.
- After the 3pm CME pit close, investors seeking to hedge their bets with certain options trades were forced to cut bait and dump remaining cash into Treasuries. That provided one last little explosion of bond market improvement that ultimately starved the fire and set the low yields of the day.
- MBS could only watch in amazement.

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## MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 5.0	99.37	+0.02
MBS GNMA 5.0	99.93	+0.02
10 YR Treasury	3.9068	+0.0029
30 YR Treasury	4.1960	+0.0028

Pricing as of: 9/17:34PM EST



## Average Mortgage Rates

	Rate	Change	Points
Mortgage News	Daily		
30 Yr. Fixed	6.43%	+0.02	0.00
15 Yr. Fixed	5.95%	0.00	0.00
30 Yr. FHA	5.82%	+0.02	0.00
30 Yr. Jumbo	6.62%	0.00	0.00
5/1 ARM	6.28%	-0.01	0.00
Freddie Mac			
30 Yr. Fixed	6.35%	-0.51	0.00
15 Yr. Fixed	5.51%	-0.65	0.00
Mortgage Banke	rs Assoc.		
30 Yr. Fixed	6.44%	-0.06	0.54
15 Yr. Fixed	5.88%	-0.16	0.68
30 Yr. FHA	6.36%	-0.06	0.85
30 Yr. Jumbo	6.75%	+0.07	0.39
5/1 ARM	5.98%	-0.27	0.65
Rates as of: 8/30			

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