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A Message from Matt Graham:

"Here's what's up with the intraday spike in MBS prices and the mid-day improvements starting to come in for mortgage rates."

UPDATE: What's With The Spike?

Bonds are surging, and rather inexplicably to boot--well, at least until you read this.

We talk a lot about corporate issuance, and this spike gives us a **great reminder** as to how much of an effect it can have.

For background, understand that there's always some measure of awareness of the general corporate bond issuance pipeline. Companies **don't** typically make surprise announcements. At the very least, we can say there is a large portion of the trading population that is not surprised by the announcements.

In other words, corporate bond issuance and its resulting effect on Treasuries and MBS is mostly always **priced-in to trading levels**. When issuance amounts are tweaked higher or lower, or when a company issues today vs later in the week, **THAT'S** when we see the volatility-related effects on bonds.

But what happens if one of the big deals that is 'priced-in' to markets is **suddenly pulled**?

We just found out. Long story short, Carlyle is engaged in a leveraged buyout of Veritas. Don't worry if you've never heard of these companies. That part doesn't matter. What matters is that Carlyle was going to use several billion dollars of corporate debt to do the deal, and they just backed out. This is the market's reaction to the sudden evaporation of several billion dollars of expected debt supply. (nice rally, well into the best levels of the day)

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



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