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MBS Recap: Bond Buying Switch Flipped After Early Weakness

Any time we watch a sideways range rates with fairly clear technical boundaries, it's only natural to hope that the upper boundary will hold up in the face of weakness. It's also logical to get a little **anxious** when rates quickly approach those boundaries in concert with other markets (like European bonds and stocks).

This was the case earlier this morning as 10yr yields and mortgage rates hit the **highest levels since late June**. The underlying motivation for the weakness was the question and answer session with ECB President Draghi.

Rather than one surprising headline, it was a package deal that began as early as 7:45am with the official announcement that the ECB was not cutting rates or expanding stimulus efforts. Bonds endured volatility, more than anything, in the wake of that news, but only rose another few bps before buyers perked up.

And THAT'S what we were hoping/waiting for: buyers to step in and say "this is enough weakness that buying bonds makes sense again." This **isn't necessarily** as awesome as it sounds though. Reason being: we don't know if buyers stepped in because they want to own bonds ahead of an expected rally or if they simply saw attractive levels at which to **cover short positions** before taking off for an unofficial 3-day weekend (no data on tap for tomorrow and a big, uncertain week ahead).

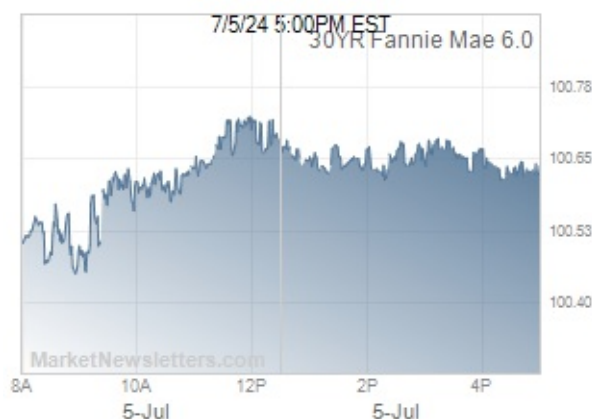
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MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 6.0	100.61	+0.22
MBS GNMA 6.0	100.74	+0.21
10 YR Treasury	4.2974	+0.0156
30 YR Treasury	4.4980	+0.0123

Pricing as of: 7/8 1:57AM EST



Average Mortgage Rates

	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	7.03%	-0.05	0.00
15 Yr. Fixed	6.44%	-0.01	0.00
30 Yr. FHA	6.50%	-0.05	0.00
30 Yr. Jumbo	7.24%	-0.01	0.00
5/1 ARM	7.05%	-0.02	0.00
Freddie Mac			
30 Yr. Fixed	6.95%	+0.09	0.00
15 Yr. Fixed	6.25%	+0.09	0.00
Mortgage Bankers Assoc.			
30 Yr. Fixed	7.03%	+0.09	0.62
15 Yr. Fixed	6.56%	+0.09	0.54
30 Yr. FHA	6.90%	+0.11	0.95
30 Yr. Jumbo	7.11%	-0.01	0.50
5/1 ARM	6.38%	+0.11	0.54

Rates as of: 7/5

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