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MBS Recap: Corporate Bonds Interrupt Flat Afternoon

It was a **pretty simple day** as far as bond markets are concerned. The collective unconscious of the bond-trading population was perfectly content to extent the weekend, unofficially. For most of the day, it looked like a perfectly viable plan, considering a relative absence of movement in Treasuries and MBS. But plans were foiled in the late afternoon by **corporate bond issuance**.

Particularly, Shire off-loaded \$12.1 bln in 3, 5, 7, and 10yr notes. For perspective, anything over \$10bln would be considered a "heavy day" of **CUMULATIVE** corporate bond issuance (i.e. from multiple sellers). When it's coming from **just one deal**, the moral of the story is that it's a very big deal.

Only a few corporate deals per year go over \$10bln, so when one of them hits on a sleepy monday, bonds feel it. This was the **exclusive** and incontrovertible source of this afternoon's bond market weakness. Even then, it left 10yr yields a mere 1.3bps higher on the day and Fannie 3.0 MBS just over an eighth of a point lower. Both also remain well within last week's new, weaker range as they continue grinding toward this Wednesday's central bank announcements (Bank of Japan and the Fed).

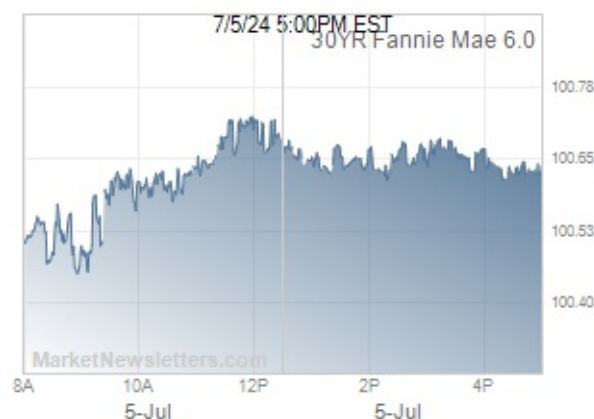
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MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 6.0	100.61	+0.22
MBS GNMA 6.0	100.74	+0.21
10 YR Treasury	4.3008	+0.0190
30 YR Treasury	4.4951	+0.0094

Pricing as of: 7/7 9:54PM 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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