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MBS Recap: Bond Recovery Continues, But Context is Important

If you've been following along with updates on [MBS Live](#), today's recap will be old hat. Long story short, bonds have been selling off in October and they've recently begun to level off ahead of Thursday's European Central Bank announcement. The end.

Even though we had what looked like a nice intraday rally in bonds today, if we look at it in the context of the bigger picture, it merely brings yields **right back in line** with the long-term inflection point that we've been examining for more than a week (the white line in the following chart).



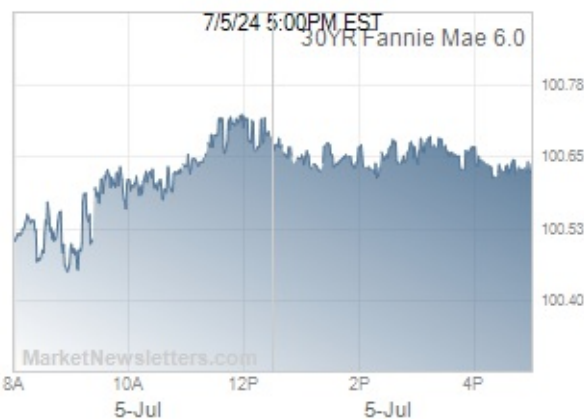
In today's defense, it was the **best trading day** for bonds in the month of October. Volume was solid. Gains were maintained even after European markets closed. And weaker-than-expected inflation seemed to be part of the move to some extent--all things that speak to a certain level of organic demand.

All that having been said, Thursday's ECB announcement remains a **major wild card** that could easily undo the past 2 days of gains. Then again, it could easily add a significant amount of positivity (if the ECB happens to redouble promises to continue bond buying after the March 2017 expiration). The point is that Thursday is the big show, for better or worse, and anything that

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	4.2808	-0.0010
30 YR Treasury	4.4721	-0.0136

Pricing as of: 7/7 7:37PM 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

transpires between now and then is just pre-game.

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