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UPDATE: Bonds Weaker Overnight on Overseas Manufacturing Data

In one fell swoop, bond markets have quickly erased all of yesterday's gains. 10yr yields are currently up more than 3bps at 1.861. On a positive note, this isn't as high as last week's 1.87+ levels, but on an ominous note, it reinforces a bounce at last week's high volume pivot point of 1.82%. Fannie 3.0 MBS are faring slightly better, down just over an eighth of a point at 102-26.

There are 2 ways to look at the weakness, and there is good enough evidence for both of them to be considered. The easiest scapegoat is the overnight manufacturing data. Two separate reports showed Chinese manufacturing coming in stronger than expected. Several of the European PMIs were also stronger. Those that didn't beat their forecast were within one tenth of one percent. This was especially notable in UK PMI considering that the UK is supposed to be struggling economically amid the Brexit process.

The slightly more esoteric motivation for weakness is the **month-end** trading environment vs the "new month" tradeflows. In other words, month-end affords bonds a certain level of extra buying demand that is now absent this morning. A slight increase in selling pressure at 8:20am (the CME pit open, when several classes of large traders begin their trading for the day) further reinforces the **tradedflow** theme (i.e. traders putting on new trades for November--in this case, short positions).



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

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