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MBS Recap: Bonds Relax After Epic Glut of Corporate Issuance

Bonds began the new year **on the defensive** thanks to a deluge of corporate bond issuance as well as stronger ISM Manufacturing data. By 10:15am, 10yr yields were at their highest levels of the day, and nearly 7bps higher than last week's close. Fannie 3.5 MBS were more than 3/8ths of a point weaker.

But that's when the **comeback** began. Bond markets braced for the typically detrimental effects of corporate issuance by selling. As the issuance announcements kept coming, traders found themselves over-prepared. In other words, they'd erred too much on the side of selling, and thus were able to start buying again. Granted, there is a far more complex way to explain this, and there are other factors in play today, but that was the day's central theme in a nutshell.

10yr yields and MBS both made it back **within a hair of 'unchanged'** on the day. Due to lenders' conservative pricing strategies ahead of the holiday, most were offering better rates by the end of the day, after a slew of positive reprices.

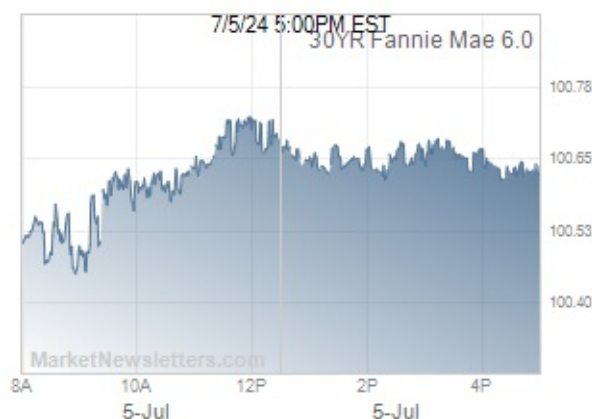
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MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 6.0	100.61	+0.22
MBS GNMA 6.0	100.74	+0.21
10 YR Treasury	4.2818	-0.0784
30 YR Treasury	4.4857	-0.0440

Pricing as of: 7/5 5:59PM 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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