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The Day Ahead: Bonds May Be Taking a Lead-Off For Their Next Move

I frequently use the **lead-off** analogy to characterize financial markets' propensity to start drifting in the direction of their next most-desired direction. Defining "most-desired" is **tricky** business because it can often be the case that bonds don't know exactly which direction that will be until they get all the data.

The next 4 days offer a great example. If, for instance, all of the key events unfold in a bond-friendly manner, bonds would likely be compelled to rally. But if we adjust the probabilities of the outcomes to 50/50, a rally is far from guaranteed. In fact, **technicals** and **tradelows** are suggesting the "lead-off" in this case may be toward higher rates.



That leaves the onus on the events to unfold in a bond-friendly manner, or else...

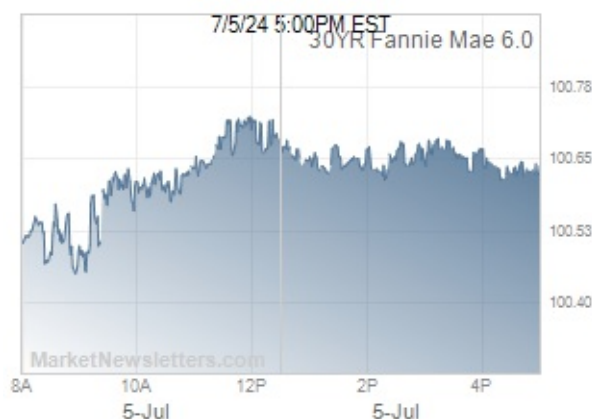
For the record, the key events as I see them are today's potential healthcare vote, tomorrow's NFP, and the weekend's French runoff election.

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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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