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UPDATE: Bonds Giving Back "Protection Money"

Today's default momentum is toward higher yields/lower prices. Rates made a run at a major technical level (2.15-2.17% in 10yr yields) based largely on **defensive positioning** ahead of several high-risk events. It was safer for traders to pay this "protection money" in case the Comey testimony, ECB Announcement, AND UK election all ended up making a case for lower yields. Instead, only the ECB proved helpful.

We already saw the effects of the Comey testimony over the past few days (and they **would have been worse** if not for the ECB). Today we're seeing the fallout from the British election.

What is the bond market implication of the UK election?

Simply put, Theresa May was seeking a stronger "mandate" in the form of more parliament seats for her political party. Instead, she LOST seats. It was a surprise/upset/etc. It casts more doubt on the Brexit timeline--generally suggesting a slower and gentler break from the EU. **Bond bulls would prefer an aggressive, fast break.** The associated financial and economic risks of a faster break would have motivated safe-haven demand for fixed income assets like bonds.

Bottom line: yields were low based on potential bombshells, and 2 out of 3 bombs were duds. Plan for additional weakness today, and hope that it's limited. If we see a supportive ceiling emerge before moving above the 2.24-2.25% range, it would be a pleasant surprise and a fairly resilient showing, all things considered.

10yr yields are currently up 3bps at 2.223 and Fannie 3.5 MBS are down 2/32nds at 103-06.

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
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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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