



Rich E. Blanchard

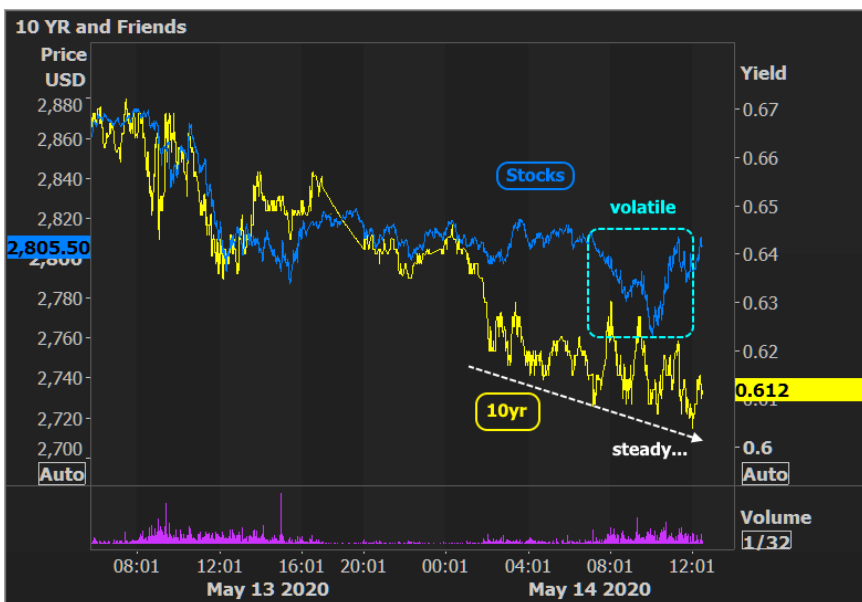
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UPDATE: Supply Concerns Shrinking, Bonds Improving, Positive Reprices?

Treasuries made it through the week's official auctions as of yesterday afternoon and have been hit (indirectly) by so much corporate debt issuance that one might conclude "it has to stop some time." Moreover, with no immediate stimulus bill on the table, the prospect for another ramp in Treasury supply is less threatening than it might have been. All of the above are adding up to strength in the broader bond market.

Treasuries have been improving in a plodding and consistent way, regardless of the input from stocks today. Even as equities bounced higher around 10:30am, bonds stayed the course.



MBS benefit from the general bond market strength, but also from their own favorable supply/demand situation. Today's 30yr UMBS Fed buying operation saw sellers bring less to the table than in any other operation this week (FAR less... sellers submitted 5 bln today vs nearly 9 bln yesterday). That's allowed MBS to keep decent pace with the broader rally--especially 2.0 coupons, which are now up 3/8ths of a point on the day at 102.25 (102-08).

Rate sheets were already strong, but this should/could result in additional price improvement.

MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 6.0	100.39	+0.19
MBS GNMA 6.0	100.53	+0.14
10 YR Treasury	4.3602	-0.0724
30 YR Treasury	4.5297	-0.0761

Pricing as of: 7/3 5:59PM EST

Average Mortgage Rates

	Rate	Change	Points
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Mortgage News Daily

30 Yr. Fixed	7.08%	-0.05	0.00
15 Yr. Fixed	6.45%	-0.02	0.00
30 Yr. FHA	6.55%	-0.05	0.00
30 Yr. Jumbo	7.25%	-0.04	0.00
5/1 ARM	7.07%	-0.03	0.00

Freddie Mac

30 Yr. Fixed	6.86%	-0.01	0.00
15 Yr. Fixed	6.16%	+0.03	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: 7/3



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