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MBS Recap: Quarter Ends With Volatility, But No Sell-Off

- Bonds bounced back as month-end buying hit its stride
- Second wind came from Bank of England comments on likely stimulus
- Yields bounced higher after Europe closed, but held same general range from past 4 days

If we take a look at everything that's happened since bonds began their big sell-off yesterday afternoon, it all **ended up being a wash** by the end of today's trading. A chart illustrates the point:



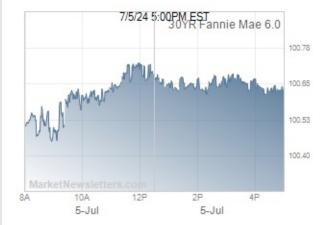
In arriving at this flatness, there have been a few notable players. Treasuries began moving lower in yield of their own volition in the morning hours but leveled off when European bond markets began to weaken. That didn't last long as the head of the Bank of England said that he expected the central bank would need to provide **stimulus** over the summer. Sterling (British currency), and European bond yields moved **swiftly** lower, bringing Treasury yields right back in line with the week's lows.

When European markets closed for the day, Treasuries quickly corrected back to the **highest yields of the domestic session**, but managed to find

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 | 4.2969 | +0.0151 |
| 30 YR Treasury | 4.4900 | +0.0043 |

Pricing as of: 7/8 3:53AM EST



Average Mortgage Rates

| Average Mor | Rate | Change | Points |
|-----------------------------|-----------|--------|--------|
| Mortgage News I | 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 Banke | rs 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 Rates as of: 7/5 | 6.38% | +0.11 | 0.54 |

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support there and gradually rally back well into positive territory by the 3pm close.

MBS outperformed all day, gaining more relative to Treasuries at the best moments and losing less during the mid-day sell-off.

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Rich E. Blanchard

