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MBS Recap: Yields Threaten to Move Higher Unless Demands are Met

Bond markets capped a rather unpleasant 2-day move today. While 10yr yields only rose 3.4bps by the close, the losses put us right back in the 1.52-1.62 range that dominated the 2 weeks leading up to last week's Fed Announcement. Following the Fed, rates moved lower with apparent conviction, but that now looks like a **head fake**.

The timing of the weakness is important, considering that tomorrow kicks off 3 busy days of important economic data (ADP and ISM Services in the morning, and of course, NFP on Friday). There's **some small chance** that we're simply seeing extra defensiveness on the part of traders due to a heavy week of **corporate bond issuance**. But even then, we'd likely need to see weaker economic data tomorrow if we hope to continue the fight to break back below the important range boundary at 1.52%.

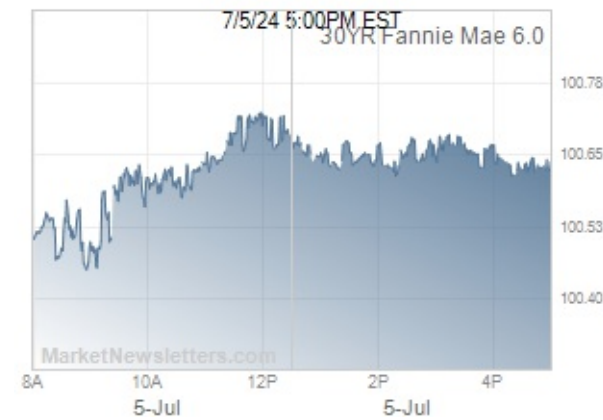
Today's top tier data was limited to Incomes and Outlays, which did little to move markets this morning (income was slightly lower than expected and spending was slightly higher). **Much bigger market movement** was seen heading into the afternoon as traders who'd bet against bonds covered their short positions ("short" = sell bonds, so "short-covering" = buy bonds). This has the effect of pushing yields lower, but without an underlying positive implication. Disconcertingly, yields bounced HARD at 1.52% before heading higher into the close (disconcerting in that it confirms this will be a tough level to break through).

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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	4.2974	+0.0156
30 YR Treasury	4.4951	+0.0094

Pricing as of: 7/8 1:56AM 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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