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MBS Recap: Big Short-Covering Rally Ahead of ECB

"Big" is a relative term these days, to be sure. In fact, **4.8bps** in 10yr yields and **10/32nds** in Fannie 3.5 MBS prices isn't too terribly big, but it was nonetheless one of the 2 best days since the election, so we'll take what we can get. Stocks certainly had a much bigger day, launching easily to new all-time highs for most indices.

Before you start celebrating just yet, keep in mind that today's strength has most to do with the fact that traders were **exiting short positions** set in advance of the ECB announcement. It's no mystery that cash moves to the sidelines ahead of these sorts of events, and neither is it a mystery that cash has been voting in favor of higher rates recently. Ergo, a move to the sidelines helps rates fall a bit.

From here, we should assume rates are **ready to head either way** tomorrow depending on the details of the ECB announcement.

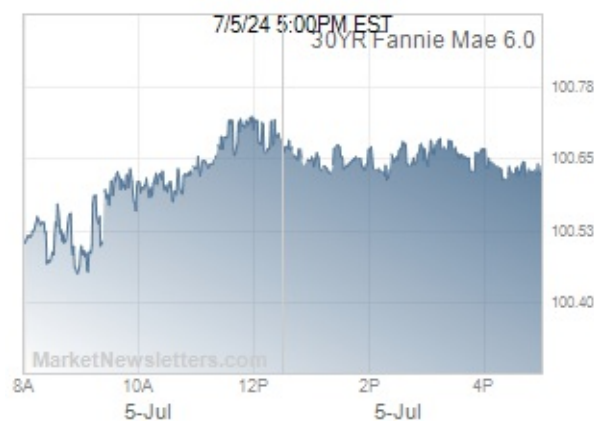
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MBS & Treasury Market Data

	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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