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The Day Ahead: Bigger Picture Bounce Risk Remains After High-Risk Events

All of our high-risk events for this week have come and gone, and bond markets aren't able to justify the stronger "lead-off" levels that marked the preparation for more dire outcomes. While it is worth something that yields haven't spiked higher in dramatic fashion, they're moving higher nonetheless. This creates technical risks that momentum is shifting, or perhaps, that it has already shifted.



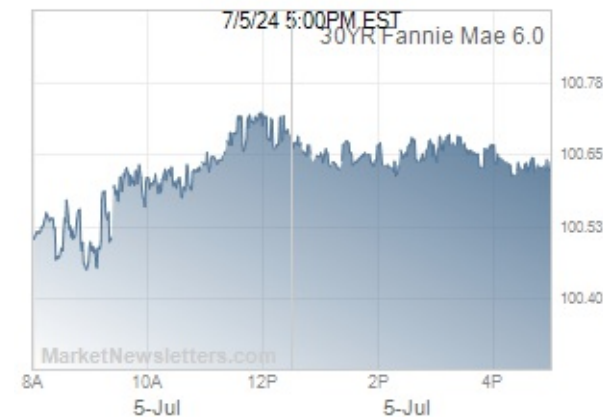
What would this negative technical shift mean for us? Look at the mid-April to mid-May correction in bond yields for a good baseline idea. That's the most recent example of a negative shift that follows the most similar rally to the one we've just experienced since mid-May. Of course there's never a guarantee that one correction will follow the historical trend of another, but if we needed a baseline definition for a negative technical shift, there it is.

The key technical levels from the last few weeks are back in play with today's first battle at the 2.21-2.22% zone. From there, we'd be looking to 2.25-2.27% for defense. Things wouldn't be getting too serious unless yields broke over 2.305%

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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