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## UPDATE: CVS Details Helping; Why MBS Live is So Cool

15 years ago, a day like today would have been frustrating for MBS analysts and the originators counting on them. The commentary would have to resort to vague generalities to explain why bonds were strengthening so far this morning. I remember reading "stuff like that" on "days like today," and thinking "who knows if that's really a thing or not... It doesn't sound super compelling. I wish I really knew what was going on. I bet someone knows..."

In fact, it was that line of thinking that led me to be typing the commentary instead of reading it. And while I've since come to learn that there are **plenty of days** where it's **next to impossible** to figure out exactly what's going on, today is not one of them--at least not for MBS Live members or the scores of LOs that will see regurgitated versions of what I'm about to share later in the day.

It's nothing too earth-shattering, but it is interesting to note the underlying motivation for the move (especially in light of the fact that such moves were never discussed in the origination community before MBS Live). Maybe this seems like much ado about nothing, or maybe it's still too esoteric (normal reaction... it is indeed esoteric), but **if you get comfortable** with this stuff, **it will pay dividends** with respect to client retention over the years. [Ask me for help](#) if you need it. Today's huddle video will cover the following details as well.

**Let's get to it...** (read [this primer](#) on corporate bond issuance if you haven't already)

**Simply put**, the emerging details of the CVS deal have helped the longer-end of the bond market this morning. Here's how:

Investors have a certain breakdown of durations in mind when a big corporate bond deal is announced. For instance, they might assume a certain number of tranches (**repayment time frames**, typically in years, just like a 5 or 10yr Treasury note). Let's say the default expectation would be for 2, 3, 5, 7, 10, and 30yr tranches.

### MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 5.0	99.37	+0.02
MBS GNMA 5.0	99.93	+0.02
10 YR Treasury	3.9068	+0.0029
30 YR Treasury	4.1960	+0.0028

Pricing as of: 9/1 7:34PM EST

### Average Mortgage Rates

	Rate	Change	Points
<b>Mortgage News Daily</b>			
30 Yr. Fixed	6.43%	+0.02	0.00
15 Yr. Fixed	5.95%	0.00	0.00
30 Yr. FHA	5.82%	+0.02	0.00
30 Yr. Jumbo	6.62%	0.00	0.00
5/1 ARM	6.28%	-0.01	0.00
<b>Freddie Mac</b>			
30 Yr. Fixed	6.35%	-0.51	0.00
15 Yr. Fixed	5.51%	-0.65	0.00
<b>Mortgage Bankers Assoc.</b>			
30 Yr. Fixed	6.44%	-0.06	0.54
15 Yr. Fixed	5.88%	-0.16	0.68
30 Yr. FHA	6.36%	-0.06	0.85
30 Yr. Jumbo	6.75%	+0.07	0.39
5/1 ARM	5.98%	-0.27	0.65

Rates as of: 8/30

With this in mind, the **actual** breakdown announced by CVS can have an impact on the bond market's SUPPLY assumptions. For instance, if there are more tranches that are shorter-term, it would hurt 2/3yr Treasuries and potentially help longer-term rates (10/30yr, and mortgage rates). That's **exactly** what's happened this morning.

The CVS deal has **FOUR tranches** in the 2-3yr range. Further removing pressure from the longer-end of the yield curve is the fact that there's a 20yr tranche (as opposed to a clean jump from 10yr to 30yr).

Bottom line, the breakdown of supply in the CVS deal is a bit **friendlier for the longer-end** of the yield curve than investors initially anticipated. As such, shorter-term bonds are in negative territory on the day while longer-dated bonds have broken into positive territory.

Fannie 3.5 MBS are now up 3/32nds (.09) on the day at 99-22, (99.69). 10yr yields are down nearly 2bps to 2.864 after being as high as 2.906 earlier this morning.



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