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UPDATE: Bonds Testing Best Levels as Curve Collapses

As we occasionally discuss, many Treasury trades take the form for "curve trades" (i.e. betting on the relationship between 2 different bonds) as opposed to outright bets on individual bonds. Curve trades can be between 5yr and 30yr bonds, 2's and 10's, 2's and 5's, 10's and 30's, etc. But in terms of a quick glance at the "yield curve" in general, it's 2yr vs 10yr yields that are most often referenced.

The curve has been an increasingly hot topic as it continues plumbing the depths of its post-crisis lows. It is presently setting **another post-crisis record** in the wake of comments from Fed's Williams on the 2020 rate being in the "3-4% range."



All the while, 10yr yields have remained steady. In fact, 10s are at their **best levels of the day** (or they were a few minutes ago when I started writing this update--still close). That means in cases where 2yr selling demand runs into resistance, traders have simply been buying 10yr paper to facilitate the curve-flattening (i.e. green line moving lower in the chart above).

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: 9/17 7:34PM EST

Average Mortgage Rates

	Rate	Change	Points
Mortgage News Daily			
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
Freddie Mac			
30 Yr. Fixed	6.35%	-0.51	0.00
15 Yr. Fixed	5.51%	-0.65	0.00
Mortgage Bankers Assoc.			
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



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