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# UPDATE: Refunding Announcement Helps Bonds Stay Grounded

The overnight session was **modestly weaker** for Treasuries, with 10yr yields rising to 2.996 at their worst levels. An absence of movement in European bonds or other markets that occasionally correlate with Treasuries suggests a defensive positioning ahead of today's Treasury Refunding Announcement.

We already knew the overall amount of estimated borrowing needs based on the initial release on Monday. Today's release gave a specific breakdown on upcoming auction amounts. This is important info for the bond market because it directly informs the **"supply"** side of the supply/demand equation--the foundation of price movement for just about anything.

**Long story short on the Refunding Announcement:** traders were prepared for worse news than they got with respect to the longer-dated coupons (like 10 and 30yr Treasuries). This resulted in a tightening yield curve and a decline in 10yr yields beginning at 8:30am. Another modest wave of buying began at the 9:30am CME open, where a different class of trader is more active (i.e. those who bet on bonds via ETFs, or the money managers that must adjust bond portfolio allocations via ETFs).

The net effect is a 10yr yield that has now returned to **unchanged** on the day (2.964). Fannie 3.5 MBS are also unchanged--up an eighth of a point from the opening lows. Fannie 4.0 MBS are up 3/32nds of a point, within 1/32nd (0.03) of unchanged.



## 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

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