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UPDATE: Let's Talk About Beer

(note: you may need/appreciate a primer on how **corporate bond issuance** affects mortgage rates before reading this update. [Here it is](#))

This is definitely the first time I've mentioned beer in a headline, and perhaps the first time we've even discussed beer in a market-related context. But indeed, it is a valid market consideration today. Actually, it may have been more relevant yesterday. Here's why:

AB/Inbev announced in late 2014 that it had overcome the requisite hurdles to buy it's nearest competitor SAB/Miller. This is the **largest merger/buyout** in the consumer space in history, and it will be accomplished with the **largest corporate bond** offering, **ever**. Investors knew this was coming at some point in time, so there's not an immense amount of shock value, but with the deal expected to be over \$50 bln, there's no getting around the fact that a ton of supply will be added to bond markets.

With the benefit of hindsight, we can now chalk up much of **yesterday's** bond market weakness to the fact that the firms responsible for the colossal Inbev deal began holding calls yesterday (with investors who'd like to get their name on the list of confirmed buyers). This was the first step in the deal actually being brought to market--something that should happen today or tomorrow. The fact that we're in positive territory today is a testament to the fact that much of the supply pressure relating to the deal has already come and gone. It **remains to be seen** how conservative investors will now be in bidding at Treasury auctions this week, but that's one other place where the fallout from this mega corporate bond could be felt.

In any event, I think it's quite an accomplishment to be sub 2.20 in 10yr yields considering there's a looming \$50bln debt offering this week in addition to the \$58 bln in Treasury auctions already on tap (not to mention the \$10+ bln in other corporate bonds from various smaller issuers). We'll see how it plays out when the Inbev deal actually goes live. Given our past experiences with the only other deal remotely this size (Verizon in 2013), we can expect another, **shorter, spikier** wave of volatility whenever they ultimately push the button.

MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 6.0	100.40	-0.15
MBS GNMA 6.0	100.78	+0.04
10 YR Treasury	4.4223	+0.0454
30 YR Treasury	4.5610	+0.0549

Pricing as of: 5/17 5:59PM EST

Average Mortgage Rates

	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	7.09%	+0.07	0.00
15 Yr. Fixed	6.56%	+0.03	0.00
30 Yr. FHA	6.62%	+0.07	0.00
30 Yr. Jumbo	7.35%	+0.04	0.00
5/1 ARM	7.30%	+0.06	0.00

Freddie Mac

30 Yr. Fixed	7.02%	-0.42	0.00
15 Yr. Fixed	6.28%	-0.48	0.00

Mortgage Bankers Assoc.

30 Yr. Fixed	7.08%	-0.10	0.63
15 Yr. Fixed	6.61%	+0.01	0.65
30 Yr. FHA	6.89%	-0.03	0.94
30 Yr. Jumbo	7.22%	-0.09	0.58
5/1 ARM	6.56%	-0.04	0.66

Rates as of: 5/17



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