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A Message from Ted Rood:

"Kudos to Matthew Graham for this brilliant analogy. Let's hope Draghi hits a double tomorrow to drive home the runner!"

The Day Ahead: Data Free Day. Another Chance to "Lead-Off" Ahead of ECB

From time to time, we see various financial markets take a "lead-off." Just like in baseball, the lead-offs occur because the base-runner knows where he wants to go and is better served by taking a few steps in that direction, just in case whatever happens on the next pitch allows an opportunity to head in the desired direction.

It's **oh-so-similar** for bond markets. Both the ballplayer and bond markets are playing for the happiness of their fans and the profitability of their franchise. Both are trying to get to the next significant interval on their journey.

For ballplayers, we can measure those intervals quite simply as the bases. For bond markets, the bases are more like the significant technical levels, and even the signals that arise from technical overlays like those seen in the following chart. All of these mainstream technicals are in agreement right now: bonds are taking a nominal lead-off toward a bigger rally. They're simply waiting on the pitch--in this case, tomorrow morning's ECB Announcement. If Draghi makes contact, we'll be running.

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

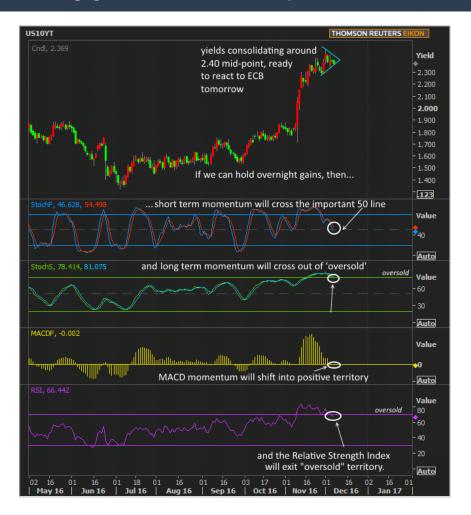


Average Mortgage Rates

Average Mortgage Nates				
	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 Banke	rs 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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To be clear, this chart by no means guarantees victory. It simply suggests that bonds are ready and willing to rally if they get the green light. As for how big that rally could be, I would be looking for 2nd base--where we repeat this song and dance--around 2.29% in 10yr yields.

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