

THE FEDERAL SAVINGS BANK

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The Day Ahead: One Day Closer to Another Trade War Escalation

In the day just past, bond markets put in their first losing session after 3 straight business days moving in a friendlier direction. Chalk that up to a dearth of new and threatening trade-related headlines, which seem to be this week's preeminent market mover.

In the day ahead there's no reason to expect that theme to change. Indeed, the overnight session saw fresh headlines right out of the gate with Trump saying China "broke the deal. They can't do that. So they'll be paying," at a campaign rally in Florida.

European markets took the ball and ran with it at the open. Italian credit spreads have been adding to broader bond market gains as well. Risk-off momentum may have gotten another boost from reports that North Korea fired a projectile of some sort just before 4am ET, but most of the overnight rally had run its course by then.

Either way, the **risk-off** trade dominates. Chinese equities are down nearly 2%, S&P futures are down roughly 1%, and core global bond yields are sharply lower with 10yr yields down 5bps at 2.435 and German Bunds pressing farther into negative territory.

US econ data is of little use to a market that's trading on fear. It continues to be the case that bonds are susceptible to a positive headline that smooths over trade war fears. But with China silent on that topic so far today, all we have to trade on is Trump's threats from the overnight session. The fact that we're one day away from the new tariffs isn't helping the global risk trade (but that's just what bond bulls wanted).

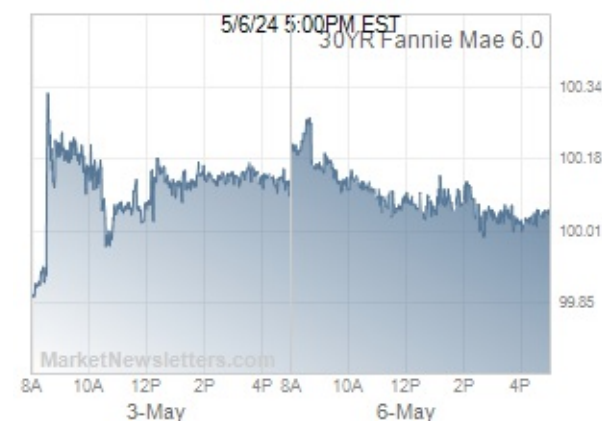
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MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 6.0	100.05	-0.03
MBS GNMA 6.0	100.92	-0.11
10 YR Treasury	4.4895	+0.0036
30 YR Treasury	4.6390	+0.0026

Pricing as of: 5/6 8:36PM EST



Average Mortgage Rates

	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	7.25%	-0.03	0.00
15 Yr. Fixed	6.68%	-0.07	0.00
30 Yr. FHA	6.64%	-0.06	0.00
30 Yr. Jumbo	7.45%	-0.03	0.00
5/1 ARM	7.32%	-0.03	0.00
Freddie Mac			
30 Yr. Fixed	7.22%	-0.22	0.00
15 Yr. Fixed	6.47%	-0.29	0.00
Mortgage Bankers Assoc.			
30 Yr. Fixed	7.24%	+0.11	0.66
15 Yr. Fixed	6.75%	+0.11	0.64
30 Yr. FHA	7.01%	+0.11	0.94
30 Yr. Jumbo	7.45%	+0.05	0.56
5/1 ARM	6.64%	+0.12	0.87

Rates as of: 5/6

Responsive service, experienced expertise

I've dedicated my 22 year mortgage career to client education, superior service, and honest answers. The lending landscape has changed dramatically the past few years, and continues to do so. My job is to ensure client partners' loans close quickly, without surprises, and I take that responsibility very seriously. Referrals are a responsibility I appreciate; they're a measure of trust, and that trust must be earned every day, on every referral.

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