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The Week Ahead: Did Bonds Get a Pass From Stocks Last Week?

Before last week's stock rout, bonds were stuck in a rut. For four straight sessions, they hit the highest intraday yields since 2011. **Even after** the 3rd biggest stock sell-off since the financial crisis, Treasuries were reluctant to rally in any extreme way. Take away the worst yields of the preceding 4 days and the post-rally levels last week would **STILL** have been the highest since 2011.

There's no question that bonds finally acquiesced to stock volatility as a key market mover. That continued to be the case **throughout** the week. The lower section of the following chart shows the difference in magnitude between the two moves as well as the consolidative patterns that both have carried into the current week.

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

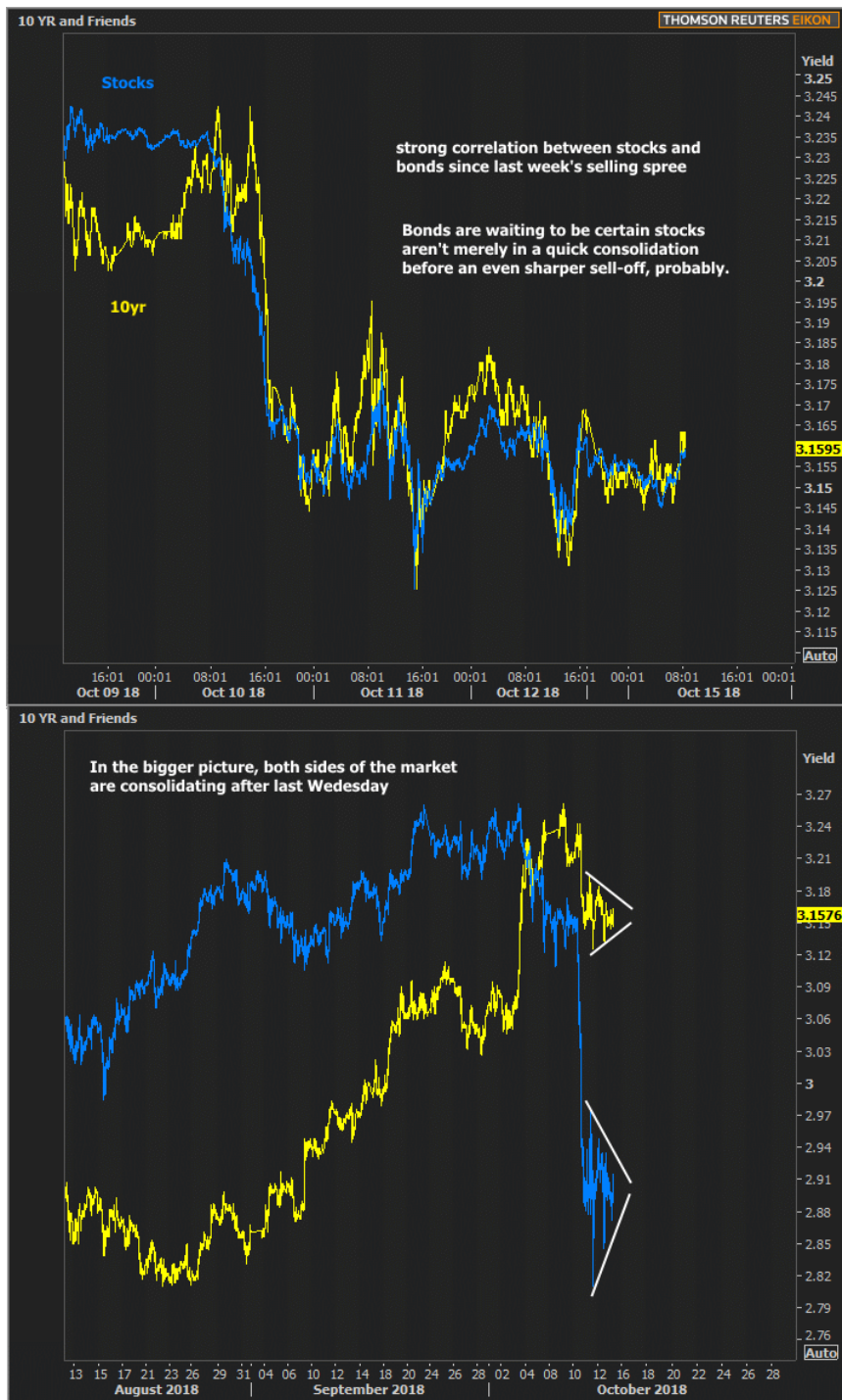
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Average Mortgage Rates

	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



The implication is that this week will be all about resolving these consolidation patterns (the series of higher lows and lower highs often seen in the wake of a big move). The **best candidate** to speak to such breakouts--at least from an econ data standpoint--was this morning's Retail Sales data. But since it's already out, and since neither side of the market had a major reaction, the sense of indecision is only magnified.

The rest of the week brings mainly housing-related reports, with Thursday's Philly Fed being the only notable exception from a potential market-mover standpoint. None of that data is likely to set the tone, however. For that, we'll **keep looking at stocks** until they give us a reason to look somewhere else.

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