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MBS Recap: Bonds End Green After Downbeat Fed

Today's Fed announcement was **decidedly more downbeat** than the previous iteration and markets reacted accordingly. There was never any real chance that the Fed would actually hike rates this time around, so we can be sure the reaction was purely a function of the Fed's chosen verbiage. Here are a few examples of the downgraded verbiage. These are subtle in and of themselves, but as far as Fed announcements go, this is about as much of a shift as we see without an accompanying policy decision:

1. The Fed changed from viewing economic activity as "expanding at a moderate pace" to "slowed late last year."
2. The Fed now says that fixed investment is "moderate" as opposed to "solid."
3. The Fed now says that inventory investment has slowed.
4. The Fed now says inflation compensation (market-based inflation metrics from TIPS trading levels) declined further as opposed to merely remaining low.
5. The Fed is now "closely monitoring global economic and financial developments." That's an entirely new thought.

Offsetting all of that was the one thing we **already know** is going well: job creation. The Fed has been clear that they don't view low unemployment as the last word on the overall state of the economy. In any event, it was no surprise after the recently strong Payrolls reports.

Bonds and stock prices fell in unison after markets had a moment to work through the subtleties. Treasuries and MBS eventually made it back into positive (or unchanged) territory on the day. That was nearly a **3/8ths point** gain from the lows for Fannie 3.0 MBS. Quite a few lenders repriced positively.

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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

