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ALERT: Bonds Add to Overnight Weakness After Stronger GDP; Other Factors in Play

- Q3 GDP (1st revision) +3.2 vs +3.0 forecast, +2.9 previously
- Deflator (inflation metric) +1.4 vs +1.5 forecast
- PCE Price Index (inflation metric) +1.4 vs +2.0 forecast
- Business inventories account for 0.49% of GDP change (not too much)

Bond markets were already in slightly weaker territory overnight after having failed to break through the first of several resistance levels (aka "floors") at 2.30 (10yr yields). 2.307 was the overnight low and yields were nearing 2.33% as the domestic session began. Fannie 3.5s opened in roughly unchanged territory but soon joined Treasuries in the slide.

After the GDP data, bonds shifted into weaker territory, but GDP isn't the only game in town. German Bunds are outpacing Treasury losses at the moment amid ongoing comments from German Finance Minister Shaueble as well as on-target German inflation data.

10yr yields are currently up to 2.343 (+3bps) on the day and Fannie 3.5s are down 4 ticks at 102-25.



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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