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MBS Recap: Strong Auction Offers Little Reprieve For Bonds

There are **two ways** to approach today's bond market movements, and they're quintessential examples of the "glass half empty/full" expression.

Glass Half Full: bonds rallied following the 30yr bond auction. 10yr yields remain under the most critical long-term inflection point at 2.50, and thus can still hope that it serves as a ceiling from which a rally can take shape into year-end.

Glass Half Empty: bonds may have rallied after today's auction, but only because they sold-off aggressively from the morning hours. While we were hoping that last Friday's afternoon weakness was a temporary concession for the auctions, yields remain in line with those levels after trading both sides of them over the past 2 days. We didn't even attempt to return to Thursday's range.



For all of the **hope** and **fear** based on the post-election range and recent technical considerations, tomorrow's Fed announcement remains an important event. There's a risk of adopting an **overly dismissive** attitude about the Fed because we're all so certain they're going to hike.

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

True, that certainty is justified, but anxiety is also justified because the Fed **MUST** do something to address the things that have transpired between now and their last meeting. They can do this in the announcement itself, or in Yellen's press conference, or in the release of the economic projections (aka, the "dots"). We're way past the consideration of a hike tomorrow (they'll hike). Rather, markets want to know where we're going from here. Specifically, is the Fed anywhere near as **spooked** as financial markets regarding the repricing of growth and inflation concerns? If so, we have big problems. **If not**, that's precisely why rates have been trying to hold on to this 2.50%-ish ceiling.

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