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The Day Ahead: Bonds Fight For Consolation Prize: The Horizontal Range

After confirming a breakout from the "consolidation range" (the converging lines tracing the lower highs and higher lows over the past 3 months) yesterday, bonds move on to fight for the consolation prize--a consolidation consolation, if you will.

The next type of range boundary after breaking a sloped ceiling is a simple, flat ceiling marked by recent highs and/or historically significant trading levels. In the current case, **2.52** and **2.55** have been relevant for 10yr yields.

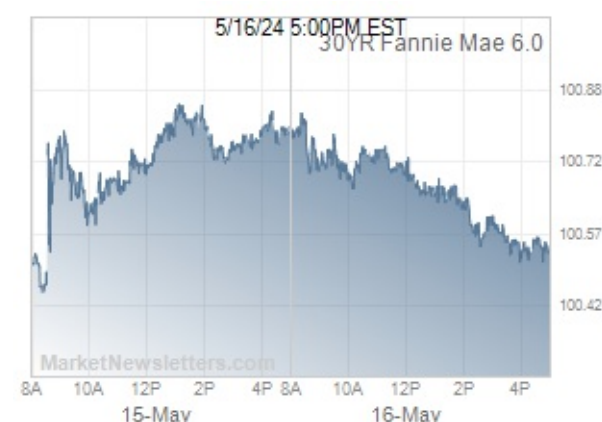
Unfortunately, we're starting the day **OVER 2.55** already (this may lead to a discussion of the next ceiling at 2.64 by and by, but we'll cross that unhappy bridge if we're forced to). For now, there's a fighting chance to hold one of these ceilings, despite the fairly universally negative technical momentum readings.



MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 6.0	100.55	-0.25
MBS GNMA 6.0	101.31	-0.18
10 YR Treasury	4.3769	+0.0364
30 YR Treasury	4.5061	-0.0005

Pricing as of: 5/16 5:59PM EST



Average Mortgage Rates

	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	7.02%	+0.03	0.00
15 Yr. Fixed	6.53%	+0.03	0.00
30 Yr. FHA	6.55%	+0.03	0.00
30 Yr. Jumbo	7.31%	+0.01	0.00
5/1 ARM	7.24%	+0.04	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: 5/16

Just by way of checking in with the **main underlying motivation** for all the recent weakness, here's an updated OIS chart showing that Fed hike expectations are still on a 100% trajectory.



This morning's key event will be **Draghi's ECB press conference**, which begins now. The afternoon's 30yr bond auction could serve as another focal point for volatility at 1pm.

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