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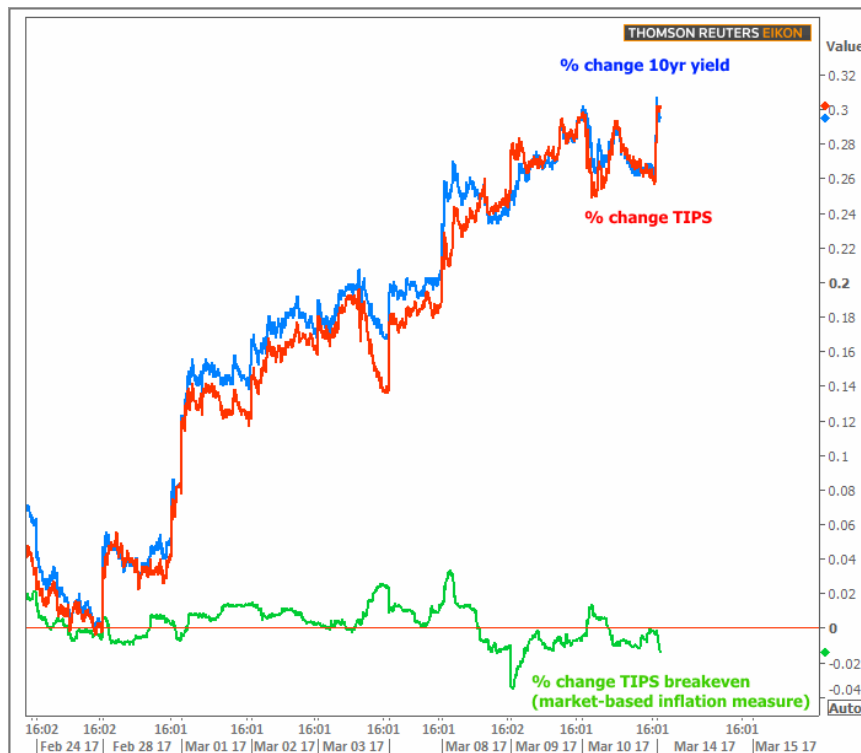
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The Day Ahead: Ceiling Technically Intact as Bonds Await Fed Verdict

The entire week is **clearly focused** on Wednesday afternoon's Fed events (chiefly, the Fed' economic projections, which will give us an idea of how their rate hike expectations are evolving). What to do, then, with the data?

Today' brings **Producer Prices**--a relatively important inflation report, and tomorrow morning brings the more important CPI data. That said, we've seen both of these reports several times since the post-election/post-Dec-Fed-Meeting bond sell-off and there's been little fanfare on the inflation expectation front.

Over the past 2 weeks especially, **inflation expectations have been flat** while yields have risen. This chart breaks 10yr yields up into their inflation component (green line) and their non-inflation component (red line). The red line is driven by things like Fed hike expectations and supply considerations.



MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 6.0	100.80	+0.41
MBS GNMA 6.0	101.48	+0.25
10 YR Treasury	4.3380	-0.0025
30 YR Treasury	4.4878	-0.0188

Pricing as of: 5/16 7:20AM EST



Average Mortgage Rates

	Rate	Change	Points
Mortgage News Daily			

Mortgage News Daily

30 Yr. Fixed	6.99%	-0.12	0.00
15 Yr. Fixed	6.50%	-0.11	0.00
30 Yr. FHA	6.52%	-0.06	0.00
30 Yr. Jumbo	7.30%	-0.07	0.00
5/1 ARM	7.20%	-0.09	0.00

Freddie Mac

30 Yr. Fixed	7.09%	-0.35	0.00
15 Yr. Fixed	6.38%	-0.38	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: 5/15

Whatever the case, it's worth noting--perhaps if only to grasp at straws--that we certainly have **SOMETHING "priced-in"** to current trading levels with respect to tomorrow's Fed announcement. Technically, yields have yet to break above December's intraday highs. Until that happens, a case could still be made that we're in the ongoing process of maintaining a long-term ceiling in the 2.5-2.6% range.



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