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## The Day Ahead: Week Officially Begins With Bonds in 'Do or Die' Territory

We talked about yesterday being an unofficial 3rd day of the weekend in that trading volumes were light and the trading activity lacked conviction. Today, then, would mark the first "real" movement of the week. I even went so far as to say the trend is still **unfriendly even though** we saw gains yesterday. In other words, the gains were not to be trusted and we're already seeing why today.

A discussed in greater detail in the first alert on MBS Live, bonds were sharply weaker overnight. The weakness makes the long-term trend look like the same long-term trend we discussed yesterday. The same issues remain with momentum metrics (the lower two sections of the chart). Shorter-term momentum is decidedly bearish (red/blue lines spiking) and longer-term momentum is decidedly shifting (green/teal turning higher without breaking below the middle of their range).

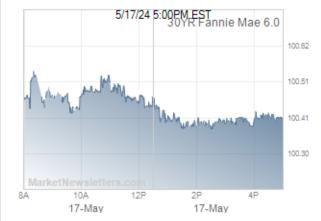


Markets are **on edge** about a few things--with central bank considerations leading the way. The European Central Bank will make its first official comment about tapering its bond buying plan on Thursday. At least that's what they've led us to understand in recent communications. Whether or not there's an official statement on tapering (amounts, time frames, etc.) remains to be seen. This uncertainty has traders planning for the worst.

## 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

_	0 0		
	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 Banke	rs 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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It's a **somewhat similar** situation for the Fed, although the flashpoint isn't bond buying. Rather, it's simply the discovery of the next Fed Chair--something Trump said he's "very very close" to deciding. Traders are defending against the possibility of John Taylor nomination (stuffy old economist who is thought to be less rate-friendly than the slightly-less-stuffy, slightly-less-old non-economist Jerome "Jay" Powell).

This is **do-or-die territory** for bonds with 10yr yields beginning the day over 2.40%. 2.40-2.42% is essentially as high as we can go and still consider the lower-range of 2017 to be intact. We've maintained for more than 4 months that a break above those levels would be a major red flag in the bigger picture.

There are no significant scheduled events on tap today--just the **sense of waiting** for unscheduled headlines that may or may not appear.

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