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The Week Ahead: Central Bank Meetings and Fiscal Drama Keep Volatility on The Table

There are 3 to 4 big players this week when it comes to **potential market movers**. In no particular order, these include Treasury auctions, central bank announcements, inflation data, and potential tax headlines. The relative importance of any of these factors depends on reality versus expectations.

For instance, with respect to the **Treasury auctions** (which occur earlier than normal this week with 2 today and 1 tomorrow), if demand metrics are in the middle of the range of historical averages and if the yield awards fall in line with expectations, we might not see much market movement at all. Contrast that with any potential tax bill headlines where a simple "yea or nay" has market moving connotations. In general, any news that makes it look like the tax bill is more likely/certain to pass would put upward pressure on rates.

The week's **biggest unknown** is the Fed announcement, or rather, the other data released with the Fed announcement. On 4 out of 8 meetings a year, the Fed releases updated economic projections (also referred to as the "dots"). These showed an increased pace of rate hikes as of the September meeting. Traders are keen to find out when the expected trajectory of future hikes will level-off. That could even happen at this meeting. If it does, it would almost certainly lead to strength in shorter-term bonds (more affected by Fed rate hike outlook). That CAN help longer-term bonds (the ones we care about for the purpose of following mortgage rate movement), but it wouldn't be a sure thing.

Both the Fed and financial markets will be keeping an eye on **Wednesday's CPI data**. The Consumer Price Index has become the markets favorite inflation report to react to in 2017. After 5 months with a core annual reading of 1.7%, the report released in mid November showed an uptick to 1.8%. If that number remains or continues higher, it would likely put upward pressure on rates.

From a technical standpoint, bonds are approaching all of this from roughly the same sideways range that's dominated most of the past 3 months. The "consolidation" range isn't quite the same as it was heading into the end of November, but if anything, the volatility at the end of last month only served to adjust the upper boundary of the consolidation such that it was even MORE symmetrical and sideways.

MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 6.0	99.48	+0.12
MBS GNMA 6.0	100.49	+0.14
10 YR Treasury	4.6311	-0.0334
30 YR Treasury	4.7529	-0.0210

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Average Mortgage Rates

	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	7.43%	-0.02	0.00
15 Yr. Fixed	6.85%	-0.01	0.00
30 Yr. FHA	6.92%	-0.03	0.00
30 Yr. Jumbo	7.63%	-0.01	0.00
5/1 ARM	7.50%	0.00	0.00
Freddie Mac			
30 Yr. Fixed	7.17%	-0.27	0.00
15 Yr. Fixed	6.44%	-0.32	0.00
Mortgage Bankers Assoc.			
30 Yr. Fixed	7.24%	+0.11	0.66
15 Yr. Fixed	6.75%	+0.11	0.64
30 Yr. FHA	7.01%	+0.11	0.94
30 Yr. Jumbo	7.45%	+0.05	0.56
5/1 ARM	6.64%	+0.12	0.87

Rates as of: 4/29

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