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A Message from Ted Rood:

"Bond markets holding on to last week's gains (so far). It'll be interesting to see where they go from here."

The Week Ahead: Bonds Try to Confirm Last Week's Victory

Post-Italian drama, bond yields rose for 2 straight weeks heading into last week's Fed and ECB announcements. They both proved **friendly** and the positive momentum continued on Friday.

The timing of the Italian drama was **important** because it began helping bonds right as US 10yr yields were hitting 7-year highs. As yields rose back toward those highs early last week, it was fair to wonder if Italy had merely delayed a move to even weaker levels.

The response to last week's central bank events suggested--if not **proved**--that bonds **don't** need to re-test high ceilings just yet. Moreover, there may even be a chance to rally.

To reiterate a **word of caution** I've offered a few times, the fundamentals--at the very least--would not make a sustained rally easy. It's the sort of thing that would need a constant supply of inspiration. Think of Italy as very inspiring but very temporary. Now, had the situation quickly spiraled into the death of the European Union, sure! That would have been sufficient, but it was never exceptionally likely.

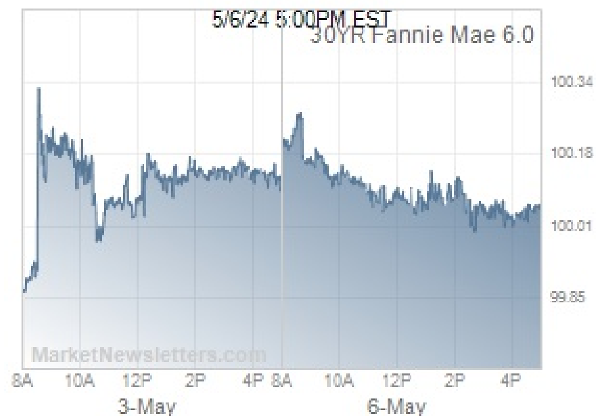
Unfortunately for mortgage market participants who are also fans of a solid stock market, the key contender for "constant supply of inspiration" would be something like a long-feared **bear market in stocks**, perhaps brought about by trade war fallout or simply the rolling over of the economic cycle.

As for the near-term future, this week is lacking in any major calendar events. As such, we'll be left to follow technicals and key levels to track momentum. The strongest case would be a rally down to the yellow line in the following chart. This would complete the "Head & Shoulders" pattern in bond yields and suggest a big break lower (the kind I think will be hard to come by without fundamental motivation). **2.915 is a good near-term pivot point**. A willingness to hold under there early in the week would provide even more confirmation that bonds aren't merely in an extended consolidation before heading back up to late May's high yields.

MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 6.0	100.05	-0.03
MBS GNMA 6.0	100.92	-0.11
10 YR Treasury	4.4859	-0.0279
30 YR Treasury	4.6364	-0.0347

Pricing as of: 5/6 5:07PM EST



Average Mortgage Rates

	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	7.25%	-0.03	0.00
15 Yr. Fixed	6.68%	-0.07	0.00
30 Yr. FHA	6.64%	-0.06	0.00
30 Yr. Jumbo	7.45%	-0.03	0.00
5/1 ARM	7.32%	-0.03	0.00
Freddie Mac			
30 Yr. Fixed	7.22%	-0.22	0.00
15 Yr. Fixed	6.47%	-0.29	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: 5/6

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Ted Rood