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MBS Mid-Day: Differences Between This FOMC Announcement and the Last One

Naturally, this is the most changed Fed Announcement in recent memory. Strike-through indicates previous text. Underline indicates new text.

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For immediate release

Information received since the Federal Open Market Committee met in ~~September~~October suggests that economic activity has been expanding at a moderate pace. Household spending and business fixed investment have been increasing at solid rates in recent months, and the housing sector has improved further; however, net exports have been soft. ~~The pace of job gains slowed and the unemployment rate held steady. Nonetheless, recent labor market indicators, on balance, show including ongoing job gains and declining unemployment, shows further improvement and confirms that underutilization of labor resources has diminished appreciably since early this year.~~ A range of job gains slowed and the unemployment rate held steady. Nonetheless, recent labor market indicators, on balance, show including ongoing job gains and declining unemployment, shows further improvement and confirms that underutilization of labor resources has diminished appreciably since early this year. Inflation has continued to run below the Committee's 2 percent longer-run objective, partly reflecting declines in energy prices and in prices of non-energy imports. Market-based measures of inflation compensation ~~moved slightly lower; remain low; some~~ survey-based measures of longer-term inflation expectations have remained stable, edged down.

Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. The Committee currently expects that, with ~~appropriate policy accommodation, gradual adjustments in the stance of monetary policy,~~ economic activity will continue to expand at a moderate pace, with pace and labor market indicators continuing to move toward levels strengthen. Overall, taking into account domestic and international developments, the Committee ~~judges consistent with its dual mandate. The Committee continues to see~~ sees the risks to the outlook for both economic activity and the labor market as ~~nearly balanced but is monitoring global economic and financial developments, balanced.~~ Inflation is ~~anticipated~~ expected to remain near its recent low level in the near term but the Committee expects inflation rise to rise gradually toward 2 percent over the medium term as the labor market improves further and the transitory effects of declines in energy and import prices ~~dissipate, dissipate and the labor market strengthens further.~~ The Committee continues to monitor inflation developments closely.

~~To support continued progress toward maximum employment and price~~

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

	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 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: 5/17

stability, the The Committee today reaffirmed its view judges that the current 0 to 1/4 percent target range for the federal funds rate remains appropriate. In determining whether there has been considerable improvement in labor market conditions this year, and it is reasonably confident that inflation will be appropriaterise, over the medium term, to raise the target range at its next meeting, the Committee will assess progress both realized and expected toward its objectives of maximum employment and 2 percent inflation. This assessment will take into account a wide range of information, including measures of labor market conditions, indicators of inflation pressuresobjective. Given the economic outlook, and inflation expectations, and readings on financial and international developments. The Committee anticipates thatrecognizing the time it will be appropriatetakes for policy actions to affect future economic outcomes, the Committee decided to raise the target range for the federal funds rate when it has seen some to 1/4 to 1/2 percent. The stance of monetary policy remains accommodative after this increase, thereby supporting further improvement in the labor market conditions and is reasonably confident that inflation will move backa return to its 2 percent objective over the medium term.inflation.

TheIn determining the timing and size of future adjustments to the target range for the federal funds rate, the Committee is maintainingwill assess realized and expected economic conditions relative to its existing policyobjectives of reinvesting principal payments from its holdingsmaximum employment and 2 percent inflation. This assessment will take into account a wide range of information, including measures of labor market conditions, indicators of agency debtinflation pressures and agency mortgage-backed securities in agency mortgage-backed securitiesinflation expectations, and readings on financial and international developments. In light of rolling over maturing Treasury securities at auction. This policy, by keeping the Committee's holdingscurrent shortfall of longer term securities at sizable levels, should help maintain accommodative financial conditions.inflation from 2 percent, the Committee will carefully monitor actual and expected progress toward its inflation goal. The Committee expects that economic conditions will evolve in a manner that will warrant only gradual increases in the federal funds rate; the federal funds rate is likely to remain, for some time, below levels that are expected to prevail in the longer run. However, the actual path of the federal funds rate will depend on the economic outlook as informed by incoming data.

When theThe Committee decides to begin to removeis maintaining its existing policy accommodation, it will take a balanced approach consistent withof reinvesting principal payments from its longer run goalsholdings of maximum employmentagency debt and agency mortgage-backed securities in agency mortgage-backed securities and inflation of 2 percent. The Committee currently anticipates that, even after employmentrolling over maturing Treasury securities at auction, and inflation are near mandate-consistent levels, economic conditions may, for some time, warrant keepingit anticipates doing so until normalization of the level of the target federal funds rate below levelsis well under way. This policy, by keeping the Committee views as normal inCommittee's holdings of longer-term securities at sizable levels, should help maintain accommodative financial conditions.

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