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## The Day Ahead: This Morning's Retail Sales Report is Emblematic of The Bond Market's Issue

There will be **no Retail Sales** report this morning due to the government shutdown. This provides a perfect example of the issue the bond market is currently facing.

It begins with the state of flux in the economy and in monetary policy. **Now more than ever**, arguably, the Fed is on the lookout for clues in economic data. They need to know whether it makes any sense to keep hiking rates or if there are some indications that things could be slowing down.

To be fair, the Fed has already shared anecdotes about growth concerns, but then something like the last NFP report comes along and compels the Fed to keep rate hikes on the table.

Fed policy aside, market participants would also like a read on how the economy is doing, considering the **uncharted territory** in which we continue to operate (i.e. longest expansion with the highest-ever stock prices, corporate debt, fiscal deficits, etc. all following the largest recession in history and the largest monetary intervention, all while the world's other biggest central banks do the same). So yeah... the stakes are high.

Yet here we are without Retail Sales this morning due to the government shutdown. It's not necessarily enough to **paralyze** the market, but it has certainly been enough to prevent any grand aspirations with respect to range breakouts and momentum shifts.

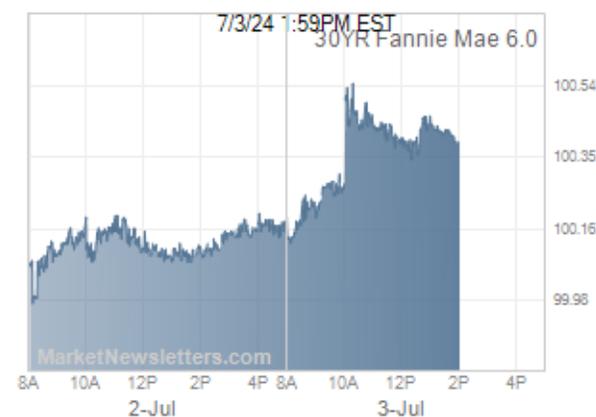
I'll continue to repeat this until it happens: a shutdown resolution is a **big risk for bonds**. At this point, we have to assume that the shutdown is acting as a drag on stocks due to the economic growth implications that **even the White House admits**. The news may suggest there's no end in sight, but the end will simply show up precipitously, oftentimes before you have a chance to find out an end was ever in sight. That can mean you wake up one of these mornings to significantly higher rates and kick yourself for not being more cautious.

**On the other hand**, a shutdown resolution could bring temporary pain for bonds that then gives way to an even deeper rally. This scenario, however, would depend on the economic data exhibiting a cohesive, negative shift. We can't observe such shifts without the likes of Retail Sales and several other reports that have gone dark.

## MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 6.0	100.39	<b>+0.19</b>
MBS GNMA 6.0	100.53	<b>+0.14</b>
10 YR Treasury	4.3602	<b>-0.0724</b>
30 YR Treasury	4.5297	<b>-0.0761</b>

Pricing as of: 7/3 4:55PM EST



## Average Mortgage Rates

	Rate	Change	Points
<b>Mortgage News Daily</b>			
30 Yr. Fixed	7.08%	<b>-0.05</b>	0.00
15 Yr. Fixed	6.45%	<b>-0.02</b>	0.00
30 Yr. FHA	6.55%	<b>-0.05</b>	0.00
30 Yr. Jumbo	7.25%	<b>-0.04</b>	0.00
5/1 ARM	7.07%	<b>-0.03</b>	0.00
<b>Freddie Mac</b>			
30 Yr. Fixed	6.86%	<b>-0.01</b>	0.00
15 Yr. Fixed	6.16%	<b>+0.03</b>	0.00
<b>Mortgage Bankers Assoc.</b>			
30 Yr. Fixed	7.03%	<b>+0.09</b>	0.62
15 Yr. Fixed	6.56%	<b>+0.09</b>	0.54
30 Yr. FHA	6.90%	<b>+0.11</b>	0.95
30 Yr. Jumbo	7.11%	<b>-0.01</b>	0.50
5/1 ARM	6.38%	<b>+0.11</b>	0.54

Rates as of: 7/3

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