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A Message from Jeffrey Chalmers:

"Markets get funky when politics get involved. Will there be a DECEMBER RATE HIKE?"

The Day Ahead: Bond Bounce Beholden to Fed and Election Drama

Let's not get too excited, but bonds have begun an **attempt to bounce** at the higher side of their multi-month trend channel (the "uptrend" leading toward higher rates in linear channel of higher highs and higher lows). Yields bounced on the upper trendline for the 3rd time in 4 days yesterday, and were then able to make additional gains in the overnight session.

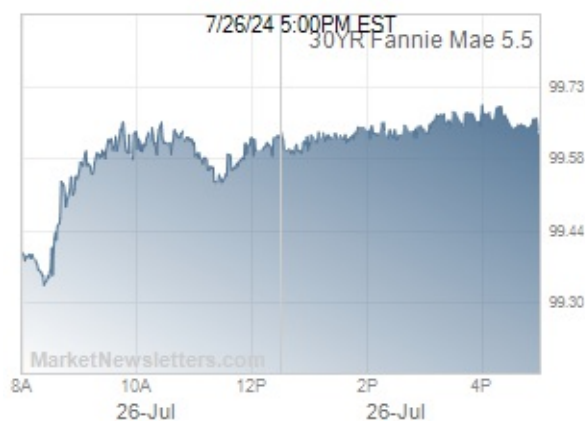
If today proves positive for bonds, it would be the **4th straight day** with yields lower at the close vs the open (which makes for green candlesticks in the chart below). This would also keep the blue line under the red line in the **fast stochastic** study at the lower section of the chart.



MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 5.5	99.68	+0.27
MBS GNMA 5.5	99.98	+0.13
10 YR Treasury	4.1958	-0.0474
30 YR Treasury	4.4523	-0.0305

Pricing as of: 7/26 5:59PM EST



Average Mortgage Rates

	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	6.86%	-0.05	0.00
15 Yr. Fixed	6.31%	-0.02	0.00
30 Yr. FHA	6.32%	-0.06	0.00
30 Yr. Jumbo	7.04%	-0.03	0.00
5/1 ARM	6.53%	-0.02	0.00
Freddie Mac			
30 Yr. Fixed	6.78%	-0.08	0.00
15 Yr. Fixed	6.07%	-0.09	0.00
Mortgage Bankers Assoc.			
30 Yr. Fixed	7.00%	-0.03	0.60
15 Yr. Fixed	6.63%	+0.07	0.61
30 Yr. FHA	6.87%	-0.03	0.92
30 Yr. Jumbo	7.13%	+0.02	0.38
5/1 ARM	6.22%	-0.16	0.60

Rates as of: 7/26

As the caption suggests, we'd ideally like to see the "stochastic cross" occurring in 'oversold' territory (above the upper horizontal blue line). This would be a firmer suggestion of a **shift in momentum**. As you can see in August, the simple presence of stochastic crossed doesn't necessarily guarantee momentum shifts. Incidentally, shifts aren't guaranteed by crosses in oversold territory either, but it does increase the odds.

And finally, there's the fact that **technical analysis** may be **completely out the window** in the current environment. Sure, it's "nice" when the charts look like they might be somewhat helpful to our cause, but ultimately, we're only one political headline or one changed phrase in the Fed statement away from bond markets doing whatever they damn well please, regardless of the technicals.

In other words, the charts could be pointing toward a reversal all day long, but if the Fed **clearly telegraphs a December rate hike**, or if an **election bombshell** drops that pushes the odds back toward Clinton, bonds will likely suffer.

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