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# The Day Ahead: Limited Data as bonds Wait for FOMC

This week begins not with any sort of exciting data or scheduled events, but rather with a mission: sorting out whether last week's violent spike on Thursday (following the ECB meeting) was a warning shot for more bond market drama or an **isolated knee-jerk** with bonds set to calm down heading into next week's FOMC Announcement. If Friday was any indication, there's a better than fair chance that we can see just such a consolidation.

While Thursday's events may have a certain game-changing connotation for Europe (with respect to Draghi being prevented from making as big a change as he might have liked), markets didn't trade it as such. It was **painful**, to be sure, but more so for European markets. Even then, Europe managed to find it's footing on Friday, and domestic markets were even more keen to show their hands.

The headline might say bonds are **waiting for the FOMC**, but next week's meeting is **too obvious**. By this point, we can already be as certain as we can ever be--when it comes to things that haven't happened yet in financial markets--that the Fed will hike rates next week. Less widely understood is just how small the reaction could be, given the historic nature of the event itself. The reason is simple: markets have already priced it in, and have moved on.

Where did markets move on TO? **Two places**, best I can tell. The first has been communicated fairly well by the Fed as they themselves have reminded us that their focus has shifted toward the **PACE** of the rate hike cycle as opposed to the **timing** of the first hike itself.

The **second place** is closely related to the first. Market participants are increasingly considering some iteration of global economic weakness. This need not necessarily be an impending recession in order to breathe wind into bond markets' sails. It could even be rather uneventful in the same way that much of 2014 marked an uneventful coming-to-terms with European QE. At the time, it seemed that there was simply a magical phantom force helping rates fall when they were supposed to be rising .

It may be a bit early for a noticeable degradation in this economic cycle, but the mere fact that it's being discusses is **helpful**. It's the sort of thing that can create the same gentle, persistent positive force pushing back against whatever evil forces are conspiring to push rates higher.

## MBS & Treasury Market Data

| | Price / Yield | Change |
|---|---|---|
| MBS UMBS 5.0 | 99.37 | +0.02 |
| MBS GNMA 5.0 | 99.93 | +0.02 |
| 10 YR Treasury | 3.9068 | +0.0029 |
| 30 YR Treasury | 4.1960 | +0.0028 |

Pricing as of: 9/1 7:34PM EST


## Average Mortgage Rates

| | Rate | Change | Points |
|---|---|---|---|
| **Mortgage News Daily** | | | |
| 30 Yr. Fixed | 6.43% | +0.02 | 0.00 |
| 15 Yr. Fixed | 5.95% | 0.00 | 0.00 |
| 30 Yr. FHA | 5.82% | +0.02 | 0.00 |
| 30 Yr. Jumbo | 6.62% | 0.00 | 0.00 |
| 5/1 ARM | 6.28% | -0.01 | 0.00 |
| **Freddie Mac** | | | |
| 30 Yr. Fixed | 6.35% | -0.51 | 0.00 |
| 15 Yr. Fixed | 5.51% | -0.65 | 0.00 |
| **Mortgage Bankers Assoc.** | | | |
| 30 Yr. Fixed | 6.44% | -0.06 | 0.54 |
| 15 Yr. Fixed | 5.88% | -0.16 | 0.68 |
| 30 Yr. FHA | 6.36% | -0.06 | 0.85 |
| 30 Yr. Jumbo | 6.75% | +0.07 | 0.39 |
| 5/1 ARM | 5.98% | -0.27 | 0.65 |

Rates as of: 8/30

As far as this week's data is concerned, while there are a few tidbits on the calendar, the only significant data arrives on Friday in the form of **Retail Sales**. Even then, I can't imagine how bad the data would have to look in order to get the Fed to talk about it next week.

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