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The Week Ahead: Stocks vs Econ Data

Stocks and bond yields don't always follow each other, but their correlation is not only undeniable so far in 2016, it's been the most important bond market motivation by far. **Why now** as opposed to any other time? How long will this last?

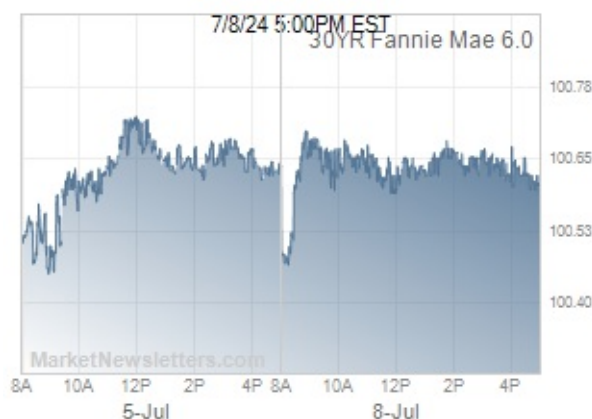
Opinions vary as to why we're seeing such a strong correlation between stocks and bonds at the moment. One of the more boring explanations is that of 'asset allocation' with money managers selling stocks and buying bonds here at the beginning of a Fed tightening cycle. **Less boring** and probably more accurate is the notion that the current selling in stocks is big enough to make bonds stand up and take note.

In other words, the big potential shift in stocks seen in the lower portion of the following chart is why the upper, shorter-term portion of the chart can be so well-correlated. The longer term view also helps us keep in **perspective** the nature of the current bond market movement (i.e. it's not very dramatic in the bigger picture).

MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 6.0	100.61	0.00
MBS GNMA 6.0	100.72	-0.02
10 YR Treasury	4.2803	-0.0015
30 YR Treasury	4.4651	-0.0206

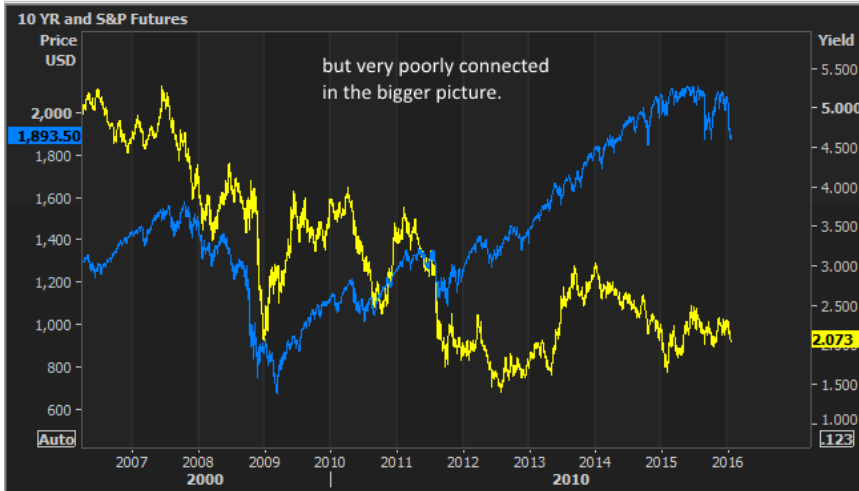
Pricing as of: 7/8 5:52PM EST



Average Mortgage Rates

	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	7.01%	-0.02	0.00
15 Yr. Fixed	6.41%	-0.03	0.00
30 Yr. FHA	6.48%	-0.02	0.00
30 Yr. Jumbo	7.22%	-0.02	0.00
5/1 ARM	7.03%	-0.02	0.00
Freddie Mac			
30 Yr. Fixed	6.95%	+0.09	0.00
15 Yr. Fixed	6.25%	+0.09	0.00
Mortgage Bankers Assoc.			
30 Yr. Fixed	7.03%	+0.09	0.62
15 Yr. Fixed	6.56%	+0.09	0.54
30 Yr. FHA	6.90%	+0.11	0.95
30 Yr. Jumbo	7.11%	-0.01	0.50
5/1 ARM	6.38%	+0.11	0.54

Rates as of: 7/8



Bottom line, stocks **would need to keep selling** aggressively in order to keep the good times rolling for bonds, and the stock sell-off comes to a head this week as trading levels ended last week near the same lows seen last August and September. A third bounce could prove disheartening for bonds, even if data is otherwise friendly.

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