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The Day Ahead: Are Bonds Ready to Bounce?

Even though yields have made new intraday highs on 9 out of the last 9 days, we may have seen some **early clues** about the selling trend leveling-off. Of course, the tricky thing with such bounces is that they can sometimes prove to be mere corrections. If that's the case, the selling trend will resume shortly. But until and unless that happens, we have some proverbial "green shoots" sprouting up in bond market technicals.

Specifically, Treasuries have closed out several recent sessions at yields that were **near or below** opening levels (as opposed to ending the day near the day's high yields). That happens when overnight or intraday volatility create new high yields during the day, followed by a rally during the US session. This can be seen in the form of shorter and greener candlesticks in the following chart (keep in mind that the rightmost candlestick is today's overnight trading).

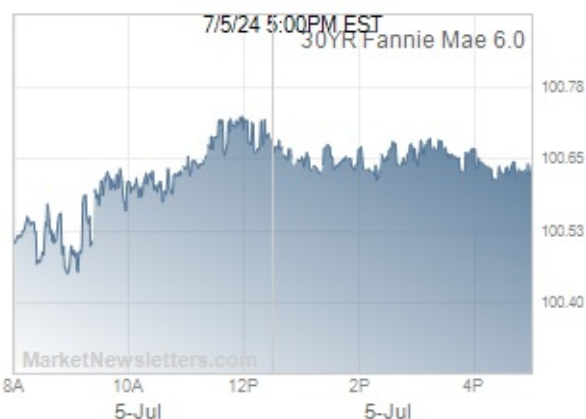


The purple-ish lines in the chart are Bollinger Bands--a popular technical study. When yields are hitting or breaking an outer band, as they have for the past several days, the trend is very much intact. As soon as yields have a day that **leaves a nice gap** between themselves and the outer band, it's often early confirmation of a bounce. If bonds hold overnight gains, today is that day.

MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 6.0	100.61	+0.22
MBS GNMA 6.0	100.74	+0.21
10 YR Treasury	4.2808	-0.0010
30 YR Treasury	4.4721	-0.0136

Pricing as of: 7/7 7:37PM EST



Average Mortgage Rates

	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	7.03%	-0.05	0.00
15 Yr. Fixed	6.44%	-0.01	0.00
30 Yr. FHA	6.50%	-0.05	0.00
30 Yr. Jumbo	7.24%	-0.01	0.00
5/1 ARM	7.05%	-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: 7/5

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