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The Day Ahead: Bond Bulls Hope For November Truce

As can be seen in this morning's chart (and remembered in the hearts and minds of loan originators who closely follow market movements), October has been our **least favorite** months of the year. September wasn't much better. In fact, we've technically been in an uptrend since hitting all-time lows at the beginning of July.

So maybe we could catch a break in November? We might even be seeing early hints of that change in course. We've already talked about how bonds have gravitated back toward the important inflection point (currently passing through 1.73%, as seen in the chart below), and we've touched on a few of the momentum indicators. With overnight gains and yesterday's decent performance, short term momentum (via Fast Stochastics) is now decidedly positive. With another day or two of stability and/or strength, longer-term momentum will shift in our favor.

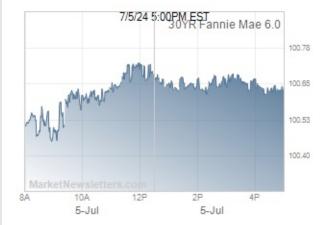


It's **still a bit too soon** to declare that bonds are turning a corner, even though the past few days have been hopeful. Personally, I REALLY would want to see a solid break below 1.73% before getting too excited. There's no hard and fast rule, but I think a break below 1.73% and one additional day rallying below 1.70% would be sufficient.

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

/ (verage into	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 Banke	rs 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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In other words, we can't get the best possible signal today (because we haven't broken and closed below 1.73% yet). There are no major scheduled economic reports and no earth-shattering events on the schedule, so it's an implicit 3-day weekend for traders anyway. **Bottom line**, next week will decide whether or not we can officially call a truce between now and the early December central bank announcements (ECB to comment on tapering and Fed to decide on a rate hike one week later).

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