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The Day Ahead: Bonds Are Officially in a Positive Short-Term Trend

Bonds Are Officially in a Positive Short-Term Trend. This was also the case heading into mid January, but steady selling following Yellen's speech (Jan 18) **shattered the dream** of a deeper recovery from post-election highs. As of Jan 25th, we may well have worried that the longer-term uptrend would be back en vogue--something that we could identify by a break above mid-December highs in Treasury yields.

But bonds bounced on the 26th, and they've been in a **fairly linear downtrend** since then. As the chart shows, yesterday (2nd candlestick from the right... the big green one) was the strongest day of that trend, and it challenged the lower boundary.

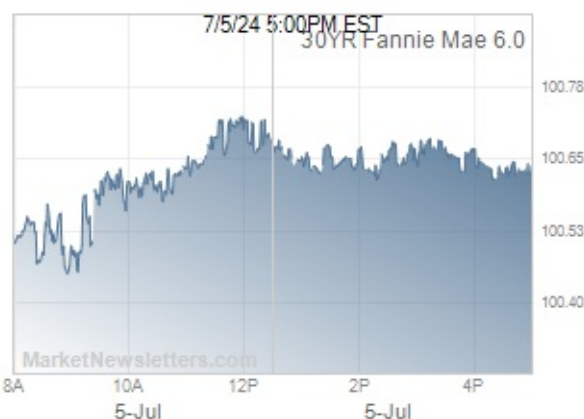


Without a doubt, the notion of a meaningful rally is the **underdog** since the election. It stands to reason that there's a far higher probability of strong moves being met with logical resistance. In plainer terms, if rates make a strong move to the lower yellow line, there's **more motivation** than normal

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	4.2818	-0.0784
30 YR Treasury	4.4857	-0.0440

Pricing as of: 7/5 5:59PM 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

for a bounce that keeps them between the lines.

There are no major market movers on tap as far as econ data is concerned today. The **3yr Treasury auction** at 1pm has some chance to have a modest effect, but markets are far more interested in tomorrow's 10yr auction (and Thursday's 30yr).

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