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## The Day Ahead: Bonds Fight For Consolation Prize: The Horizontal Range

After confirming a breakout from the "consolidation range" (the converging lines tracing the lower highs and higher lows over the past 3 months) yesterday, bonds move on to fight for the consolation prize--a consolidation consolation, if you will.

The next type of range boundary after breaking a sloped ceiling is a simple, flat ceiling marked by recent highs and/or historically significant trading levels. In the current case, **2.52** and **2.55** have been relevant for 10yr yields.

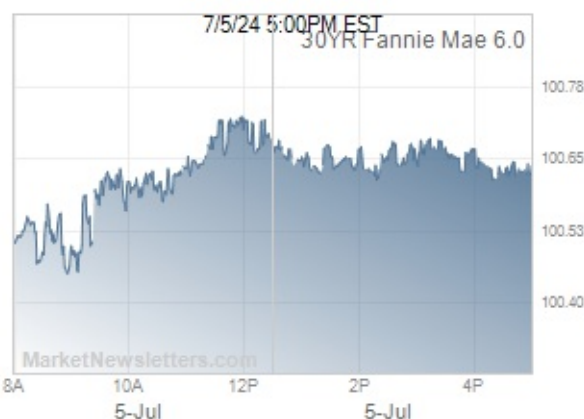
Unfortunately, we're starting the day **OVER 2.55** already (this may lead to a discussion of the next ceiling at 2.64 by and by, but we'll cross that unhappy bridge if we're forced to). For now, there's a fighting chance to hold one of these ceilings, despite the fairly universally negative technical momentum readings.



## 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

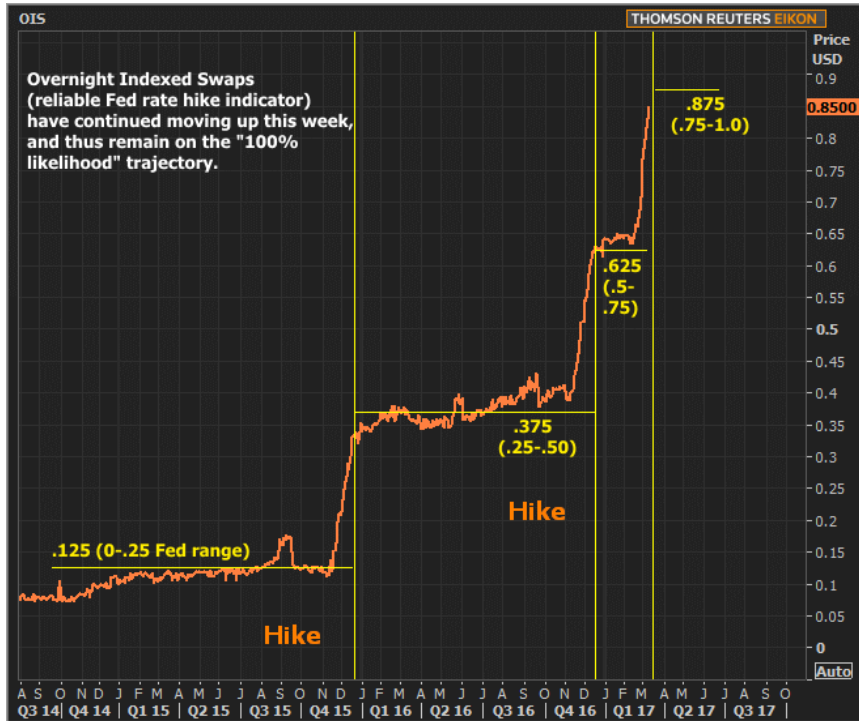


## Average Mortgage Rates

	Rate	Change	Points
<b>Mortgage News Daily</b>			
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
<b>Freddie Mac</b>			
30 Yr. Fixed	6.95%	+0.09	0.00
15 Yr. Fixed	6.25%	+0.09	0.00
<b>Mortgage Bankers Assoc.</b>			
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

Just by way of checking in with the **main underlying motivation** for all the recent weakness, here's an updated OIS chart showing that Fed hike expectations are still on a 100% trajectory.



This morning's key event will be **Draghi's ECB press conference**, which begins now. The afternoon's 30yr bond auction could serve as another focal point for volatility at 1pm.

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Rich E. Blanchard

