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The Day Ahead: What Exactly is a Post-Range-Bound Momentum Spike?

In putting together today's chart, I found my fingers involuntarily typing the phrase "**post-range-bound momentum spike.**" It made perfect sense in my mind at the time, but like many concepts pertaining to the analysis of market movement, there's no perfect way to describe it with only a few basic words.

The first word I considered was "**breakout,**" because bonds have broken out of their recent range. But "breakout" doesn't really reference what was previously confining bonds, nor does it make a comment on the implication. A post-range-bound momentum spike however... that's something we can work with, sort of.

In essence, we're dealing with the **following flow of events:**

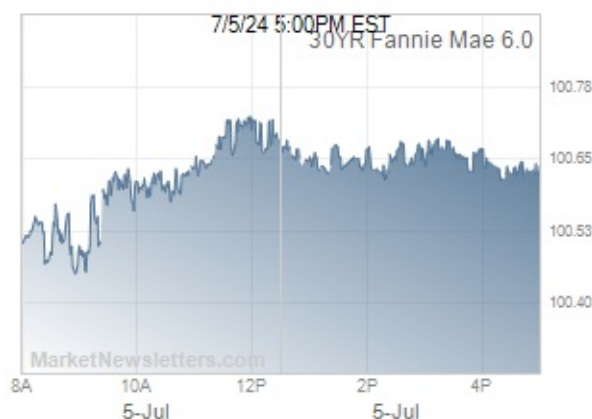
1. bonds enter a range (the narrower and flatter it is, the better, in terms of adhering to this pattern)
2. bonds begin to break out of the range (could be tentative at first, but at some point, it's clearly happening)
3. volume increases and the intraday gains/losses get bigger than previous examples
4. the short-term momentum begins to wane as rates level off
5. momentum and volume die down. risks return to 50/50, with the next momentum spike likely happening without the need for bonds to be range-bound for weeks and weeks

In the current example, we're on the 2nd day of step 3, and hopefully seeing step 4. We could confirm step 4 by **not losing too much ground** today, but the day is young.

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



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