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The Week Ahead: Trend is Our Friend, Until It's Not

One of my favorite wry market witticisms over the years is a variation of the seminal: "**the trend is your friend.**" This seemingly obvious, simplistic comment actually gives a nod to technical analysis in suggesting that the recent performance of a particular security is a worthwhile indication of its future potential. In other words: it's a positive sign when things have been positive.

The extent to which that sounds like meaningless common sense gave rise to our addendum: "**the trend is your friend, until it's not your friend any more.**" Of course the trend can't always be your friend. Rates won't always fall, and the fact that they've been falling is nice in hindsight, but doesn't guarantee they'll continue to fall. At some point, the recently friendly trend will cease being our friend.

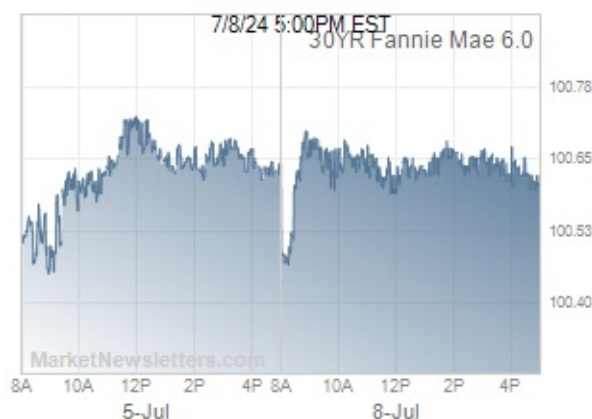
But here's where the platitudinous quote **can be of some use.** The moment at which the trend stops being our friend, and the surrounding circumstances, can tell us something that actually can be useful in considering the near-term outlook.

With all that in mind, this week is a moment in time where it would make strategic sense for bond markets to **weaken.** Reasons being: there is a fresh round of **Treasury auction** supply, there should be another raft of corporate bond supply, and technical indicators are quickly approaching overbought levels. If we instead see an additional rally, then this would be the week where we could conclude something **very big** is transpiring in global financial markets, and that the last week and a half hasn't merely been beginning-of-year trading volatility.

MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 6.0	100.61	0.00
MBS GNMA 6.0	100.72	-0.02
10 YR Treasury	4.2803	-0.0015
30 YR Treasury	4.4651	-0.0206

Pricing as of: 7/8 5:48PM EST



Average Mortgage Rates

	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	7.01%	-0.02	0.00
15 Yr. Fixed	6.41%	-0.03	0.00
30 Yr. FHA	6.48%	-0.02	0.00
30 Yr. Jumbo	7.22%	-0.02	0.00
5/1 ARM	7.03%	-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: 7/8



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