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The Day Ahead: Bonds Attempt to Capitalize on Post-Fed Momentum

The day begins with bond markets holding yesterday's post-Fed rally, and adding to the gains overnight. In fact, we've seen enough of an improvement that we may be in a position to consider an **official end to the negative momentum** intact since mid-February. Such a glorious occasion would take more than 24 hours of positive performance, but the point is that the process has begun, and can continue as long as a few key technicals are maintained.

These are fairly easy to observe in the following chart. The top section has the ubiquitous Bollinger Bands. With the overnight trading momentum, 10yr yields are now breaking through the middle band. Holding below for the rest of the day would be a **technical victory** (with the word "technical" here meaning "in terms of technical analysis," or the study of market movement based purely on market movement, as opposed to reactions to news and external events).

The bottom section has a technical cornerstone in the form of slow stochastics. Without getting into the more confusing details of the calculations, suffice it to say that **momentum is shifting** positively when the faster moving line crosses below the slower moving line--something it may end up doing today:



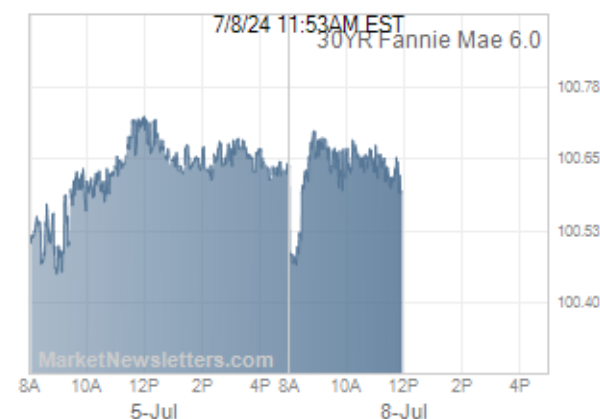
This morning's economic data just came out stronger than expected and bonds are still mostly holding the overnight gains.

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MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 6.0	100.59	-0.02
MBS GNMA 6.0	100.77	+0.04
10 YR Treasury	4.2876	+0.0058
30 YR Treasury	4.4768	-0.0089

Pricing as of: 7/8 11:52AM 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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With 27+ years of expertise in mortgage banking you can be confident in my knowledge and abilities to deliver a seamless loan transaction while providing personalized service.

Rich E. Blanchard

