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The Day Ahead: Suddenly Serious as Momentum Risks Reversal

The 2 weeks leading up to last week's FOMC Announcement (and Bank of Japan too) saw an exceptionally narrow trading range. The 2 weeks before that saw a **fairly quick move higher** from all-time low rates (in Treasuries; Mortgages didn't quite make it).

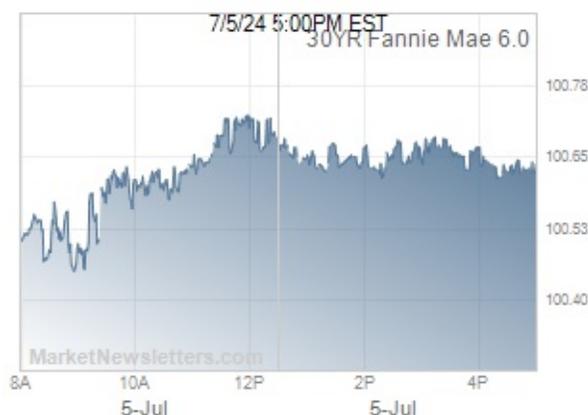
Those sorts of sideways slides can either open the door for a bounce back toward lower rates, or they can merely be a pause before more selling. Up until yesterday, it looked like we were dealing with a **friendly bounce**. The important technical levels we'd been using to track the range had been broken on the low side and momentum indicators shifted in our favor. Even after yesterday's weakness, the key level of 1.52% remained intact as a ceiling.

Today unfortunately begins with 1.52% having **already been broken** (incidentally, 1.52% lines up with the 21-day moving average, which is also the middle line in the Bollinger Band overlay on the following chart [white lines]). Not only is our technical ceiling under threat, but even the harder-to-convince longer-term momentum indicator (slow stochastics in the bottom pane) is at risk of shifting back toward higher rates. Bottom line: we need a big mid-day bounce in our favor to **avoid confirming** a fairly serious shift back toward higher rates.

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	4.2969	+0.0151
30 YR Treasury	4.4966	+0.0109

Pricing as of: 7/8 1:54AM 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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