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The Day Ahead: Range-Trade Intact as Central Banks Approach

The approach to this week's big-ticket events has been very **straightforward** so far. This has been aided, no doubt, by the absence of other significant events in the immediate vicinity, as well as the fact that it's neither the end nor the beginning of the month. The middle of any given month--especially weeks without Treasury auctions or active economic data calendars--is about as neutral as it gets.

That **neutrality** is evident in the charts. Yields are in the midst of a logical, mechanical, low-volatility consolidation inside the range set by last Tuesday's nasty sell-off. If you're looking for **bigger-picture significance** associated with these levels, it's definitely there too. The mid-point of the current consolidation is roughly 1.70, which has been a MAJOR inflection point in the bigger picture.

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	4.3003	+0.0185
30 YR Treasury	4.4951	+0.0094

Pricing as of: 7/7 10:00PM 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



Not to put too fine a point on it, but this is a **title bout for rates**. Anything over 170 and they give up the belt. To be clear, I'm not talking about small, short-term moves that happen to bring yields slightly higher than 1.70. I'm talking about the risk of a bigger mover higher, like those seen in early 2015 or early 2016.

On a **positive note**, a successful title defense (something that results in a move back below, say, 1.60) would be a huge victory—one that casts significant doubt on all the recent jawboning for a bond bubble among financial media, fund managers, and analysts.

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