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The Day Ahead: 2nd Day of Powell Testimony. Any More Landmines?

This is currently the best week of the year for bond markets. The same was true of last week in the sense that it was the first time in 2018 that yields ended lower vs the close of the previous week. While that would be the case yet again if the week were to end today, **a lot can happen** by tomorrow afternoon. As we've discussed throughout the week, the first 2 days of March are the most important when it comes to confirming the recent stability.

In the following chart, that stability can be seen in 10yr yields moving to test the middle bollinger band (the yellow lines). As of this morning, they've also tested the horizontal pivot point at 2.85%, but **may be shying away** from those gains presently. Short-term momentum metrics are still looking good, and longer-term momentum metrics are finally attempting to make a move. Whether or not this proves to be a false start will likely be determined over the next 36 hours.



MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 5.0	99.37	+0.02
MBS GNMA 5.0	99.93	+0.02
10 YR Treasury	3.9068	+0.0029
30 YR Treasury	4.1960	+0.0028

Pricing as of: 9/1 7:34PM EST



Average Mortgage Rates

	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	6.43%	+0.02	0.00
15 Yr. Fixed	5.95%	0.00	0.00
30 Yr. FHA	5.82%	+0.02	0.00
30 Yr. Jumbo	6.62%	0.00	0.00
5/1 ARM	6.28%	-0.01	0.00
Freddie Mac			
30 Yr. Fixed	6.35%	-0.51	0.00
15 Yr. Fixed	5.51%	-0.65	0.00
Mortgage Bankers Assoc.			
30 Yr. Fixed	6.44%	-0.06	0.54
15 Yr. Fixed	5.88%	-0.16	0.68
30 Yr. FHA	6.36%	-0.06	0.85

One of today's most obvious potential market movers is the 2nd round of testimony from Fed Chair Jerome Powell. Normally, the first day of testimony is the bigger deal--the rationale being that Powell already had his chance to share his outlook once, so **why would markets be surprised** to hear it again? But keep in mind that it was really only one comment (essentially that his economic outlook had improved since December) that led markets to price-in higher chances of 4 rate hikes in 2018 instead of 3.

	Rate	Change	Points
30 Yr. Jumbo	6.75%	+0.07	0.39
5/1 ARM	5.98%	-0.27	0.65

Rates as of: 8/30



Moreover, members of the House Financial Services Committee spent far more time grandstanding on political issues that on rational, meaningful assessment of the Fed's monetary policy. As such, the **door is wide open** for the generally more sober Senate Banking Committee to set Powell up for another market-moving headline. Powell will re-read his prepared remarks at 10am and then begin taking questions shortly thereafter.

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