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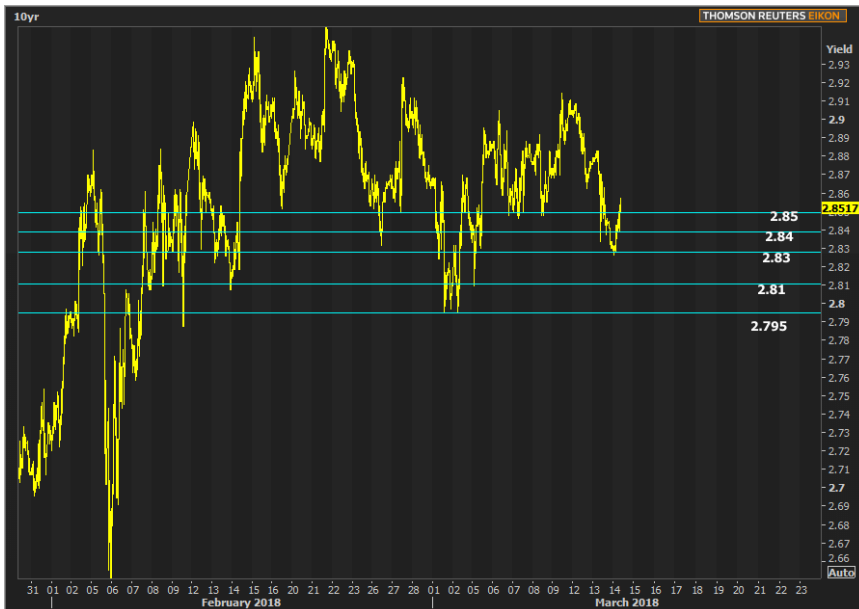
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The Day Ahead: Bonds Face Minefield of Resistance From Here

The first month and a half of 2018 was fairly brutal for bond markets. Metaphorically speaking, it was like retreating from their home across a field of landmines getting blown to bits repeatedly along the way. Finally, in mid-February, fortune began to smile on bonds again. Well, at least it began to frown less.

Mid-February saw 2018's relentless uptrend start to level-off. In fact, it almost looked like bonds might try to rally at the beginning of March, but as soon as 10yr yields broke below 2.80, boom! There are those pesky landmines again. In fact, there are several levels between 2.80 and 2.85 that have offered bumps and bounces over the past few weeks as 10yr yields have tried to inch back toward their former castle (let's call it 2.66% or lower), not to mention the great big moat from 2.66 - 2.795.



At this point, with certain headwinds unavoidably in place (increased government bond issuance, stable or rising inflation, 3-4 Fed rate hikes this year, foreign central bank tightening potential, decent economic growth), "something" would have to give in order for bonds to make any meaningful gains. Indeed it may, but we haven't seen it yet. We'll know it when we do,

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

because it would result in a successful break below all of the resistance seen above.

In the **best case scenario**, 10yr yields would move below 2.66% and stay lower, but that seems like too much to hope for in this environment. As such, the lower that yields can move in the context of the resistance lines above, the more and more defensive (or "opportunistic") one's lock/float strategy should be. There would be plenty of time for a heavier float bias if we break below 2.795%.

	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

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