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Under the California Residential Mortgage Lending Act

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UPDATE: Bonds Pushing Weaker Limits Ahead of Fed; MBS Distortions

Bonds were roughly unchanged overnight, but only after gaining some ground earlier on. That means rates have been trending higher throughout the European session and into domestic hours. In the past few minutes, 10yr yields have tested session highs just under 2.91% (which the lower edge of a very important ceiling that could be placed anywhere between 2.91% and 2.92%).

At current levels, 10yr yields are technically effectively unchanged, but the underlying trend is cause for concern. We should be watching closely for any break above 2.91%. That said, it's hard to imagine that bonds would want to sell-off in anything more than a gradual way given that this afternoon's Fed events could make that selling an unprofitable idea this afternoon.

We just had a bit of volatility in MBS bid/ask spreads that made things appear to be worse than they were. Read [this primer](#) on the topic if you haven't already. Long story short, bids fell to 99-11 briefly while actual trades were occurring nearly an eighth of a point higher.



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

Rates as of: 8/30

At current levels (99-14 in Fannie 3.5, or 99.44 in decimal format), there is little-to-no negative reprice risk. We'd need to see a legitimate move below 99-11 for reprices to become a meaningful threat. As it stands, bonds look more interested in reinforcing a ceiling in the past few minutes, as opposed to giving in to a pre-Fed, panic selling episode.



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