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The Day Ahead: Light Data Day and Potential Stock Bounce

Yesterday's recap focused on the on-again, off-again relationship between stocks and bonds. Specifically, bonds don't always follow stocks or vice versa, but in the current case, excessive bouts of stock market weakness were unavoidably creating some buying demand in bonds. **In other words**, even though I love to point out when the correlation is broken, it's not broken right now--even if it's not perfect. Here's an excerpt that doesn't need to be rewritten to be germane for today:

*But while the correlation was sound, the **magnitude** left something to be desired as far as bond bulls are concerned. A fairly big move lower in stocks only coaxed a modest amount of buying out of bond traders. This begs the question: what will bonds do if stocks hold steady or improve from here? What would they have done today without the stock sell-off? **At the very least**, we can assume the answer wouldn't start with bonds continuing to rally. As such, today's gains feel fragile until further notice.*

Overnight trading bears this out as yields are rising in concert with **mere groundholding** in equities markets. Even if stocks end up losing ground after the NYSE open, it's unclear that bonds would realize much benefit without a big, scary sell-off--preferably one that takes equities below the white dotted line in the following chart.

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



	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

There's **no significant data on tap** today. Markets will be left to find their own path based on a more liquid batch of "new month" trades for April (more liquid because several markets were closed yesterday and everyone's open today).

There are **several good overhead ceilings** to watch in 10yr yields. These include recent domestic session highs at 2.77%+ and 2.79%. With the overnight losses, 2.74% becomes the rally/resistance target.

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