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## The Week Ahead: Range Breakout In The Spotlight; Red Herrings

Another week, another chance to savor the scent of red herring in the air. Have you ever smelled a herring--let alone a red one? They're oily little bait-fish (like a bigger anchovy) and once out of the ocean (or the bait freezer at your local tackle shop), they don't smell great, whether dyed red or not.

Something else that smells fishy are the news media's versions of the fabled herring. The most recent example is the notion that developments relating to Syria are big, fundamental market movers. While I think we can give last week's tweets and the weekend's military actions some credit for having an effect on financial markets, the following charts suggest that the average financial news headline (e.g. "Treasury yields rise as Syria jitters fade") **needs to get its story straight.**

Every news headline of this ilk **implies the same thing:** potential for armed conflict in Syria is good for rates and deescalation pushes rates higher. These stories typically also include correlated movement in stocks, thus making for a classic "risk-on vs risk-off" trade. Notice on Thursday that stocks and bonds moved higher together after Trump's deescalation tweet, but that German Bunds didn't participate much.

Now this morning, we're supposed to believe that because we bombed Syria without US vs Russia war breaking out that it's a further sign of deescalation, but unlike the last instance, this time stocks fell and German Bund yields surged higher at the fastest pace (AND right at their opening bell). By the time we zoom out just a little bit, we can see that all 3 markets are in the throes of some sort of consolidation and that Syria headlines--if they're lucky--would only account for **minor** course corrections inside those broader trends.

## MBS & Treasury Market Data

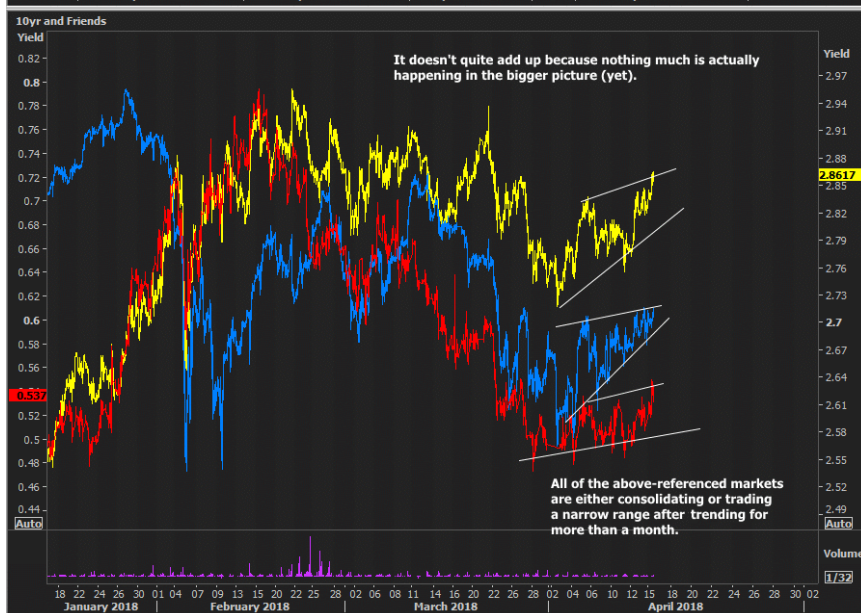
	Price / Yield	Change
MBS UMBS 5.0	99.37	+0.02
MBS GNMA 5.0	99.93	+0.02
10 YR Treasury	3.9068	+0.0029
30 YR Treasury	4.1960	+0.0028

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



## Average Mortgage Rates

	Rate	Change	Points
<b>Mortgage News Daily</b>			
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
<b>Freddie Mac</b>			
30 Yr. Fixed	6.35%	-0.51	0.00
15 Yr. Fixed	5.51%	-0.65	0.00
<b>Mortgage Bankers Assoc.</b>			
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

Focusing just on 10yr yields now, we can see that the beginning of this week is a continuation of the technical move that threatened to take shape at the end of last week. It's essentially a break up and out of the nice, gentle correction that had been intact since late February. The next technical ceiling is 2.86% and breaking above that would add to a case for a counter-trend forming--one that leads back to a test of 2018 highs.



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