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## The Day Ahead: Bonds Cheer ECB's Mic Drop

Today's domestic session begins with a **positive reaction** to the European Central Bank (ECB) announcement. The ECB broke from tradition by dropping their bigger bombs at the 7:45am announcement as opposed to Draghi's 8:30am press conference. They also arguably **dropped the proverbial mic** in a way we haven't often seen by making definitive statements about bond buying and rates well in advance of any changes.

Specifically, the ECB will **taper** its bond buying purchases by 50% in Oct-Dec, and then be done buying new bonds. They'll still be reinvesting proceeds until further notice and they **won't** be considering a rate hike until the summer of 2019.

At first glance, the tapering announcement seems like a **problem** for bond markets. In fact, it did cause a bit of initial weakness, but I think the only risk of sustained weakness would have been an announcement that they were quitting cold turkey in September. The pledge to leave rates intact through next summer was icing on the cake and bonds are beginning the day with a "sigh of relief" rally.

As the top portion of the chart suggests, the biggest impacts are in European bond markets. The lower pane of the chart just includes US 10yr candlesticks, with the point being that we've erased most of this week's losses and are attempting to reinforce a ceiling just under 3%. That's just a "hope" or a "possibility" for now. We'll need to break below 2.91% before getting more optimistic, but all things considered, this is **much better shape** than we might have been in this Thursday morning, given the wide range of potential actions by central banks and reactions by markets.

## MBS & Treasury Market Data

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

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



## Average Mortgage Rates

	Rate	Change	Points
<b>Mortgage News Daily</b>			
30 Yr. Fixed	6.43%	<b>+0.02</b>	0.00
15 Yr. Fixed	5.95%	<b>0.00</b>	0.00
30 Yr. FHA	5.82%	<b>+0.02</b>	0.00
30 Yr. Jumbo	6.62%	<b>0.00</b>	0.00
5/1 ARM	6.28%	<b>-0.01</b>	0.00

### Freddie Mac

30 Yr. Fixed	6.35%	<b>-0.51</b>	0.00
15 Yr. Fixed	5.51%	<b>-0.65</b>	0.00

### Mortgage Bankers Assoc.

30 Yr. Fixed	6.44%	<b>-0.06</b>	0.54
15 Yr. Fixed	5.88%	<b>-0.16</b>	0.68
30 Yr. FHA	6.36%	<b>-0.06</b>	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

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