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The Day Ahead: Big-Picture Waiting Game Continues

Most financial metrics are almost always either **MOVING** or **CONSOLIDATING**. Those are pretty broad terms--especially when it comes to watching the market--but they need to be broad if we're only going to have 2 states of being for bonds!

For the purposes of this discussion, "movement" refers to any trend where rates/yields are generally rising or falling over any length of time. In other words, the "movement" **won't** always be linear. We're just looking to apply a **general label** given a choice between the two.

With all of the above in mind, and with yields right in line with late February's, we've definitely been in a consolidation phase for most of the year.



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



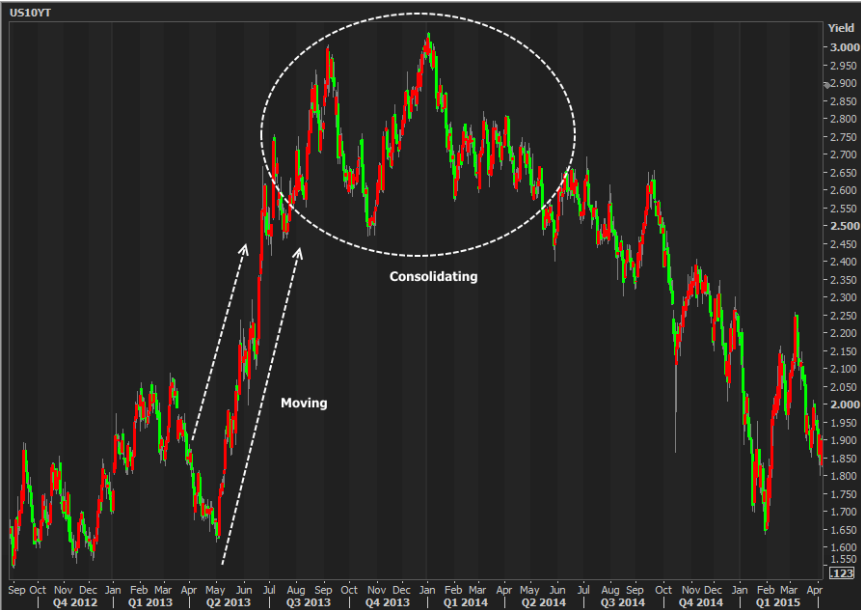
Average Mortgage Rates

	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

Notably, if rates had continued higher in mid-May, that would have simply looked like a continuation of the movement phase. With the benefit of **hindsight**, however, mid-May begins to look like an aberration in an otherwise mostly flat trend for more than 4 months.

Lots of short-term ups and downs can take place amid a broader consolidation. We may even drift toward slightly stronger territory without drifting quickly enough to earn the "movement" distinction. That's a bit of a judgment call, but for now, we're **not even close** to being in a position to make it.

For now, we continue to wait for the next big-picture move after the current consolidation. Conventional wisdom and known headwinds suggest that move almost **HAS TO** be toward higher rates. And because markets are all about discounting future probabilities, that's precisely why rates have a fighting chance to write a different story. Unfortunately, they don't tend to do much writing this time of year. Even when we look at the most obvious exception to that generality (the 2013 taper tantrum), we'd see that the **massive rate spike** had mostly run its course by early July. At the very least, hindsight would mark July 8th as the start of that particular consolidative oval.



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