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The Week Ahead: Bond Market's Holiday Game-Plan; Longshot Pattern Still on Table

The 4th of July, like a handful of other bond market holidays, doesn't care what day of week the 4th falls on. That makes it one of the very few times each year when markets are closed mid-week. That will be the case this Wednesday. Additionally, Tuesday will be an early close.

While there's a bit of econ data today and tomorrow, missing either of these days wouldn't be the end of the world for the average trader (or any other stakeholder in the rates market). Holidays aside, July is prime-time vacation season for many Americans. It's also a historically inconsequential month for bond markets (relative to other alternatives). As such, it was no surprise to see noticeable uptick in out-of-office messages as early as last week.

All of the above robs the following chart of some significance. The overlaid lines trace the "head and shoulders" pattern that we discussed a few weeks ago. This is just another pattern some traders see in much the same way some old dudes with telescopes thought random groups of stars looked like actual things. In this case, the theory is that if yields break the flat trendline, it's a big, positive signal for rates moving lower. On a more mathematical note, I also included the Relative Strength Index, which suggests bonds haven't rallied "too much" recently, and could indeed still have room to run (the lower purple line = "overbought" = "rallied too much" = more susceptible to a bounce).

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

Coming back from the day off, we'll be moving right into the week's most important data, culminating in Friday's big jobs report. Granted, it hasn't been the be all, end all market mover of the past, but it hasn't been altogether ignored. Most importantly though, any BIG beat or miss will always be cause for volatility when it comes to NFP.

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