Stephen Moye
Sales Manager/Senior Loan Officer NMLS: 268619/CA-DBO268619, New American Funding Corporation. NMLS: 6606, Equal Housing Lender Licensed by the Department of Business Oversight Under the California Residential Mortgage Lending Act
CA-DBO268619 Corp. NMLS: 67180 Equal Housing Lender
1615 Murray Canyon Road #1050 San Diego, CA 92108

Office: 619-309-1678
Mobile: 619-895-8128
Fax: (619) 793-1026
stephen.moye@nafinc.com
View My Website

The Day Ahead: Stocks and Bonds Telling Different Stories

This morning's key data release is already out and it's already proven to be a **dud** (MBS Live members can read the update HERE). So we'll head to higher altitude to check in with bigger picture trends to see what might be on markets' minds.

The stock vs bond relationship has been interesting lately--more interesting than it had been a few months ago when bonds were much **more willing to react** to Italian drama (thus making for sporadic correlations). Now it's summertime! That means, all things being equal, that bond traders are more willing than normal to look elsewhere for cues. And one of the biggest 'elsewheres' is the stock market.

With that in mind, we can see ample correlation between the two in the top section of the following chart. In the lower section, we can see correlations are **far from perfect**, and that bonds have generally been fairly willing to hold their ground despite this week's stock surge.

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

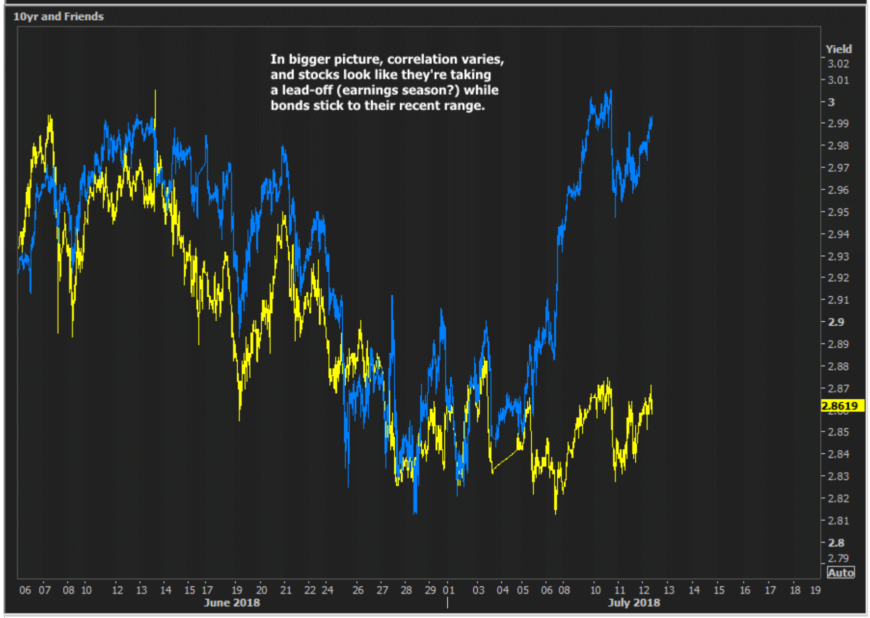
Pricing as of: 9/1 7:34PM EST

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



So **who's telling the truth?** Do stocks have a reason for exuberance that bonds are missing? Or do bonds have a reason for caution that stocks aren't appreciating?

Actually, I think it's something different altogether, and it becomes more clear if we zoom out just a bit more. Simply put, both sides of the market have been trending mildly stronger within the confines of their consolidation ranges in 2018. I think this reflects a very slight, but very real **softening of the perceived Fed policy evolution**. In other words, the Fed's rate hike outlook did indeed get a bit more aggressive at the last meeting, but not to the extent traders were anticipating. Bottom line: if the Fed is starting to think about leveling-off its removal of policy accommodation, it's good for both stocks and bonds.

Granted, that's not the only market mover in town, but I do think we **haven't seen any major reaction to any trade war news** in the bigger picture. It continues to be the case that it will take time for that reaction to play out (because its effects have to be observed in data that won't be affected for months).

In the meantime, we have the same old technical levels to keep an eye on in bonds, as well as a few others based on recent floors/ceilings/trendlines. Long story short, the more of these lines that bond yields break **ABOVE**, the worse the implication is for momentum. Conversely, breaking below 2.825 and holding below there would be the **only real victory** from a technical standpoint at the moment.

Subscribe to my newsletter online at: http://housingnewsletters.com/stephenmoye

thanks for visiting this site

thank you for coming to website. Having been a loan officer for 20+year...I know first hand how important it is to stay on top of the news and event that effect mortgage rates, regulation, and program guidelines. Let this web site be a resource for you.
New American Funding CA-DBO268619 Corp. NMLS: 6606
Equal Housing Lender
Licensed by the Department of Business Oversight Under the California Residential Mortgage Lending Act

Stephen Moye