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The Day Ahead: It Would Take Some Convincing to Break The Range

Remember the flat, boring range between 2.8 and 2.9? Or perhaps you prefer the slightly stricter version between 2.82 and 2.88? That's the range that dominated our conversation and bond trading beginning in late June. The range went on vacation through early August, but has been back in town for **more than 3 weeks now**. Any strength in bonds today would easily keep the range intact.



As the chart suggests, the bounce in longer-term momentum (slow stochastics) is bad news, but it requires some qualification. While it's true that bonds tend to have **more red days than green days** after such bounces, the first 3 days of this week count, and sometimes the bounces are shallow enough that we wouldn't necessarily need to see too much more weakness before the next reversal in momentum.

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

Beyond all that, the technical signals that pop up when bonds are in narrow, sideways ranges can be viewed as more of a **byproduct** of that range as opposed to clear harbingers of change. The exception would be a technical indicator that's based on a long enough time frame to be counting movement that occurred prior to the range. None of the commonly-used parameters fit that bill.

	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

As for **threats** to the sideways range, there was really only the PCE data out at 8:30am. Bonds are still in the middle of reacting to it, but so far so good.

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