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The Day Ahead: Bonds at Least Have a Chance

I've been pretty bearish on bonds, in general, since the end of 2016. Against that backdrop, we can of course still look for tactical opportunities, but there are also times to reinforce our defensive stance. The most recent bounce in rates/yields near the end of August was one of those instances where "defense" made more sense. With yields operating near 2.90%--the top of the recent range--**it still makes sense**, but the longer we see bonds resist breaking to higher levels, the more we may wonder if we're going to see a friendly bounce occur **INSIDE** the broader consolidation range.

In other words, maybe we'll see a short-term ceiling at the teal line instead of the upper yellow line. There's already some technical support for that idea from fast stochastics (short term momentum has already hit 'oversold'). Slow stochastics (longer-term momentum) are relatively neutral. On the one hand, they've moved up far enough to **no longer** suggest an obvious selling bias. On the other hand, they still have room to run toward oversold levels--something they tend to do more often than not.



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

While I wouldn't suggest this is the sort of thing you want to plan on from a strategy standpoint, it may nonetheless impact your strategy. Basically, we're **guarding the ceiling** at or around 2.90%. If yields break convincingly higher, we've lost the battle and will be forced to retreat to the next higher ceiling around 2.95%.

	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

Of course we're only addressing the technicals here, and there is plenty of fundamental data to contend with. Well, there WAS plenty of fundamental data. It's mostly come and gone this week with the **big, notable exception** of NFP tomorrow morning.

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