



Stephen Moyer

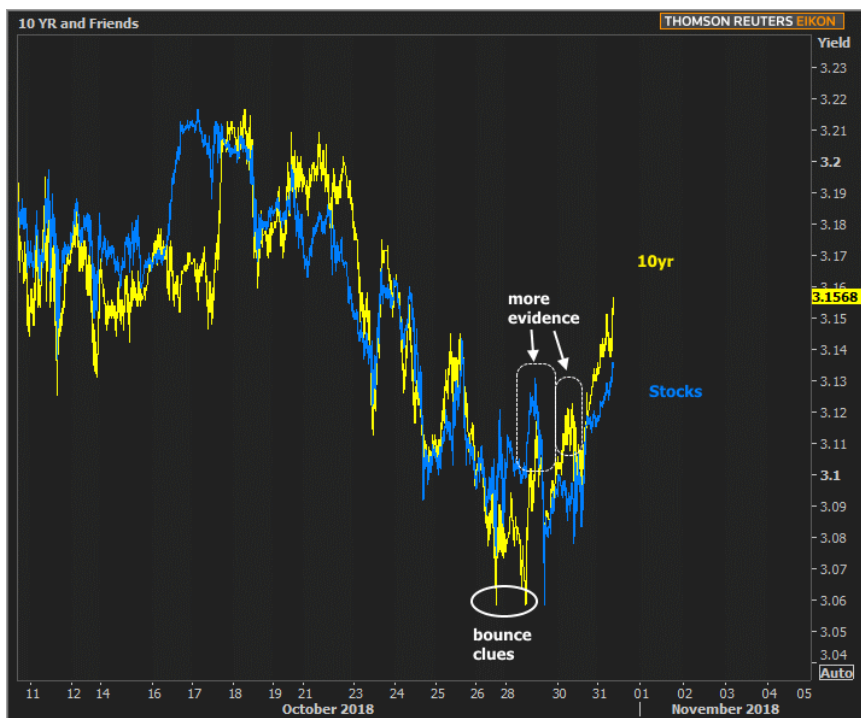
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The Day Ahead: This is Becoming a Scary Week For Bonds

The title of this commentary is **not a Halloween pun**. I don't do Halloween puns anymore. No, there is some legitimate cause for concern--even a bit of fear--in the bond market movement seen so far this week. This movement wouldn't be much to look at in and of itself, but it's when we compare it to moves in equities markets that the fear starts to set in.

What am I talking about? Really, the same thing I've brought up a few times since Monday morning when I noted that bond yields were unwilling to move to new lows on Monday despite stocks making **new lows for the month**. That's highlighted in the chart below ("bounce clues"), as well as two subsequent examples of bonds' willingness to sell despite an absence of obvious justification from stocks (highlighted as "more evidence").



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

The unfortunate reality for bonds is that they're still somewhat susceptible to any strong move higher in stocks. This won't be the case forever, but it's probably still the case for now, given that stock losses were the **exclusive source of inspiration** for the recent bond rally. In other words, the more that stocks recover October's losses, the more likely we are to see bonds retracing their gains over the past 3 weeks.

	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

October's losses, the more likely

The only friendly input (apart from some **serious stock market panic**) we could hope for would be from lackluster economic data. We're out of luck in that regard as far as today is concerned, but the bigger-ticket data will hit tomorrow (ISM) and Friday (NFP).

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