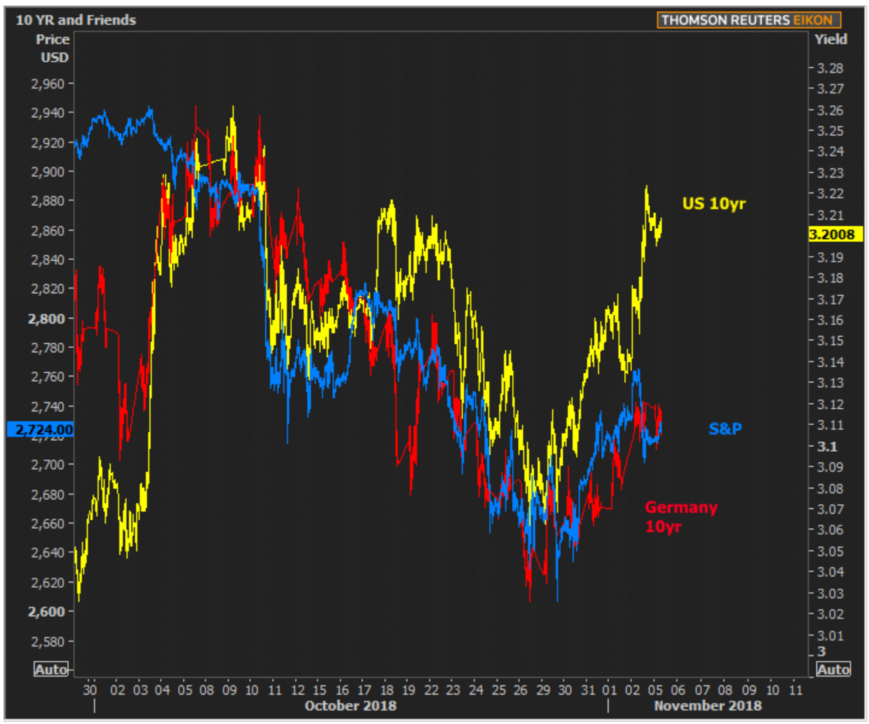
Stephen Moye
Sales Manager/Senior Loan Officer NMLS: 268619/CA-DBO268619, New American Funding Corporation. NMLS: 6606, Equal Housing Lender Licensed by the Department of Business Oversight Under the California Residential Mortgage Lending Act
CA-DBO268619 Corp. NMLS: 67180 Equal Housing Lender
1615 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: Auctions, Elections, And The Fed

Bonds had a rough week last week, more than fully erasing the rally they enjoyed as stocks sold-off in the previous week. Today's first chart shows that bonds were quick to turn tail and head **back** toward previous levels, relative to the bounces seen in stocks and European bonds. In other words, the yellow line moved back up the quickest.



Does this mean that bonds are simply predetermined to have a bad time these days? Not entirely. Part of the problem with the first chart (and indeed, with any chart that automatically scales the y-axis such that overlaid lines occupy the same vertical space) is that the relationship between the lines can look **vastly different** if we adjust the time frame. For instance:

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

This second chart suggests that Treasuries were never all that keen to rally in the first place--something we discussed fairly often over the past 2 weeks. Hindsight brings an important roadblock into focus. At first, 3.11% looked like the number to beat, as those were the highest yields seen in late September. But pivot points don't often turn out to be quite so perfect. Now that yields have moved convincingly higher, 3.09% looks like a **better level to watch**. It saw more bounces than any other level at the times when yields were at their lows/highs during these past two swings. It could be considered the "neckline" of tiny head&shoulders patterns.

What does this all mean for the week ahead? Essentially, bonds are in a rundown between long-term highs at 3.26 and the pivot point we just made a case for at 3.09. If one of those levels is broken this week, it would have **reasonably strong implications** for the next dose of momentum. In other words, if 3.26 is broken, brace for even higher rates ahead, but if 3.09% is broken, keep your fingers crossed for a more prolonged consolidation.

As for the **events that will inform this battle**, this week's Treasury auctions have a somewhat elevated importance due to currently high yields and newly increased auction amounts. They'll provide a good barometer for the extent to which investors are willing to "buy the dip" in bond prices. Then of course there are mid-term elections, and while there's no way to know exactly how much bonds might react to such things, we can at least know that a reaction is possible (i.e. it introduces additional potential for volatility).

Thursday brings a Fed Announcement, but this is an "off the run" version (without a press conference or updated set of economic projections). Markets have come to assume that the off-the-run announcements are toothless, and this one is no different. That doesn't mean the Fed couldn't decide to surprise us--just that it probably won't.

But **before** any of those events, we'll have ISM Non-Manufacturing to kick off the week's econ data at 10am this morning. ISM data isn't always a market mover, but apart from NFP, it has higher market movement potential than most other reports.

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