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The Day Ahead: How We Guard Our Newfound Gains

We've had an impressive winning streak recently and have acquired gains worthy of a watchful, protective eye. Will this be a durable rally or a fleeting victory? That question **can't be answered** without seeing how economic data and events unfold in the coming weeks. Perhaps even more important will be the tenor of the Fed Announcement next week.

One thing I can tell you to expect is at least one day of correction--one red day that pushes back against all the recent positivity. Whether or not that day brings friends is another matter, and a **much more significant** question than whether or not we'll simply see one red day.

In other words, the red day is just **something that's always going to happen** when bonds string together this sort of winning streak. We can watch various technical indicators and, of course, trading levels themselves to gauge whether or not any particular bounce is meaningful. In that regard, there's the same old breakout in fast stochastics (blue/red liens below) like the one seen in late August. As long as we're NOT seeing that, the short-term rally is intact. I will say we're pushing it already. Another way to get at essentially the same phenomenon would be to watch for a break of the middle bollinger band (middle yellow line).

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

Technicals aside, pure trading levels are important as well. For instance, if we're breaking up and above 2.92%, that would be cause for some concern, with a break above 2.98% and 3.05% being **worse and worst**, respectively.

Data is moderate this week, with some important reports. These begin on Wednesday with the Consumer Price Index and end on Friday with Retail Sales. Throughout the week the 3/10/30yr Treasury auction cycle will provide some feedback as to how investors are digesting these newfound yields. That's all for now. Back to our guard towers!

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