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The Day Ahead: This Would Show That Bonds Are Serious About Considering Even More Gains

If you've truly come to an appreciation of the gravity of bonds' big picture headwinds over the past 2 years, then the past 5 weeks may feel like a stroke of luck so good that it **has to change** any day now. More than a few bond analysts were worried about a bigger, sharper bounce when yields first began to rise from longer-term lows on Monday morning, but the sell-off has been very gentle.

Without a sharper correction that takes us higher up in the recent range, the fear is hard to quell. Are we living on borrowed time? Have we been allowed into this exclusive club by accident? Are we having some sort of reasonably good dream, destined to wake up at any moment?

I could go on and on (and have!) about why 10yr yields in the 2.8-2.9% range **make a fair amount of sense** right now, but that doesn't mean the broader market is necessarily fully onboard. In other words, there's still some risk of a rebound back up and over 3% in 10yr yields.

Such a rebound could be informed by multiple factors, but the biggest gorilla in the room is next week's Fed Announcement. With 3.5 more trading days until then (counting today), bond markets wouldn't be breaking any major technical rules if rates drifted higher during that time. In that sense, as long as we can stay under the 2.92% ceiling we've been discussing in the past few days, the pre-Fed consolidation is just that: a **CONSOLIDATION** as opposed to a **CORRECTION**.

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

Why would this matter? Isn't it just semantics + hindsight? Yes! But it still matters inasmuch as a consolidation heading into Fed day suggests bonds are all the more serious about considering bigger-picture shifts in rate momentum.

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