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## MBS Recap: Too Soon to Assume, But Not to Hope

The notion of "hope" comes up quite a bit in my daily recap pieces--often because something bad is happening and we hope for it to end or because something good is happening and we hope it can continue. In today's case, it's both.

**Something good** has been happening since November when bonds began to push back against the long-term high yields brought about by the strong economic data in Sept/Oct. That push-back blossomed into the best rate rally we'd seen in 2 years.

Then **something bad** happened over the past 3 days as that rally experienced its most threatening push back, beginning with the strong jobs report last Friday. Combined with a Powell speech that soothed the stock market, this "bad thing" kicked off a mini-trend toward higher rates.

Today is the first day that pushes back on that mini-trend (indeed, it's the first day of gains since last Thursday). It brings hope that the mini-trend can be defeated. From there, the defeat of the mini-trend would fuel **hope** that the broader rate rally could continue after what would end up looking like an early 2019 pause.

**Keep in mind** though, those hopes are all we have at this point. Today was more of a sideways day than anything. The bond market gains had a fairly incidental feel to them. Bond traders are certainly watching a "fizzling" trend in recent stock market gains--hoping that another swoon will fuel more bond buying demand, but things could just as easily go the other way.

Apart from economic data, the most immediate risk to the short-term outlook is the moderate volatility that would be associated with a big change in the status of the government shutdown. An absence of traction in the shutdown negotiations is likely behind some of the fizzle in stocks. If traction shows up, stocks could pop and bond yields could come along for the ride. This is all a bit speculative for now, but **the point** is to **not** let one day of bond market gains coax you into lowering your defenses when it's not necessarily time to do so.

## 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 |
|--------------------------------|-------|--------|--------|
| <b>Mortgage News Daily</b>     |       |        |        |
| 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   |
| <b>Freddie Mac</b>             |       |        |        |
| 30 Yr. Fixed                   | 6.35% | -0.51  | 0.00   |
| 15 Yr. Fixed                   | 5.51% | -0.65  | 0.00   |
| <b>Mortgage Bankers Assoc.</b> |       |        |        |
| 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   |

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|              | 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

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