



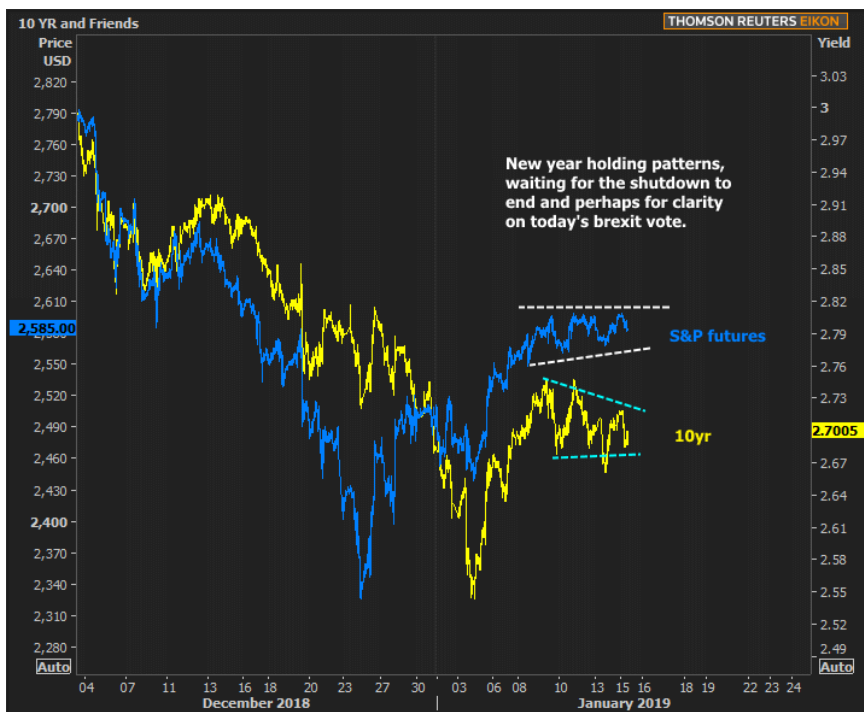
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The Day Ahead: Stocks and Bonds in Holding Patterns, Waiting For Info

Neither side of the market (debt/bonds or stocks/equity) feels like it has enough information to move out of recent holding patterns. These sideways trends emerged last week after a an apparent "New Year Bounce" toward higher stock prices and bond yields had proven itself to be a false start.



Perhaps 2019's early trend could have remained intact were it not for several key sources of uncertainty. There is an important brexit-related vote in UK parliament tonight, but it will only be important for US bond markets if the vote offers a surprising result. Right now, the expectation seems to be that the Prime Minister's brexit plan will be **overwhelmingly rejected**. But if it's a reasonably close call, that would leave hope alive for brexit to happen on schedule.

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

There are **two ways** to think about the implications of the brexit vote. On the one hand, if brexit happens on schedule, it will confirm and solidify something that had been good for bond markets in the past because it creates uncertainty as to the future of the European economy.

	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

On the **other hand**, if the vote suggests no easy brexit, that could create even more uncertainty. Will the UK get an extension from the EU? Will the country go back to elections? Will they conduct another brexit referendum? It's tough to say which uncertainty would be more beneficial for bonds in the US.

In terms of clearing up uncertainty and waiting for info, the **government shutdown is a much bigger deal**. With this being the longest-running shutdown, there's been more and more uncertainty about its impacts. Bonds have benefited from that uncertainty, and perhaps it is also behind the stalled stock rally.

Even if we can't go so far as to say that markets are trading the simple presence or absence of a shutdown, we can certainly say the bond market is missing economic data right at a time where economic data is **critical** to guiding the Fed's policy evolution. Granted, we do get data from several government agencies that do have funding (as well as all non-government reports), but bond traders need the bigger picture in order to commit.

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