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The Day Ahead: Bonds Tune in to Draghi as ECB Remains Dovish

The ECB announced no change to its policy rates this morning, which was completely in-line with market expectations. In a bit of departure from the norm, they provided some qualitative forward guidance. In other words, they told markets how long they expect to keep buying bonds and keep rates low. This is **exactly what the Fed did** when it began to normalize policy in 2013.

The Fed and the ECB both reiterated that they'd continue to reinvest bond market income until well after they began to hike rates. This was very helpful for bonds when the Fed employed the tactic in 2014-2015, and it looks to be helping European bond markets so far today. As always, big moves in European bond markets will have at least some effect on US bond markets. Today is no exception, but **Treasuries aren't nearly as eager to rally**.



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

Draghi's press conference just began and markets will be tuned in to that for the next 30-40 minutes, even if it runs longer (the market moving comments--if they come up--tend to occur closer to the beginning of the press conference). He's already mentioned the need for ongoing, substantial stimulus as well as the likelihood for inflation to fall in the coming months. All of the above is **good news for bonds** at home and abroad. Overseas markets should continue getting the lion's share of the benefit, but there'd be more than enough left over to keep Treasuries more comfortably inside their recent range.

	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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