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## The Day Ahead: Trading Range on Borrowed Time

For all of the potential market movers that anyone can discuss so far in 2019, we really haven't seen any concerted effort to take yields higher or lower from key technical levels. The higher of those levels was implied by late 2018 trading and the floor was seen 2 days into 2019. These can be seen as the upper and lower horizontal lines on today's chart.

But bonds weren't content to merely trade in that historically narrow range. By February, the horizontal levels shrunk from 2.82 to 2.75, and from 2.55 to 2.62. And even then, the predisposition has been to trade narrower and narrower (yellow lines). This so-called consolidation range is now clearly **living on borrowed time**, as it won't take much movement in either direction to break.



## 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

Keep in mind that when the yellow lines are broken, we're looking for "confirmation" in the form of follow through. In other words, if yields were to break the line today, that means we'd be looking for the line to stay broken tomorrow and perhaps the next day before considering the breakout to be "confirmed" (i.e. something that has a better than 50% chance to last).

	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

Even then, the **safer assumption** about a break of the consolidation range would be that it gives way to the previous horizontal range with 2.55% and 2.82% being the boundaries. Once one of those is broken, we'll know we're seeing the next big move.

This week is fairly light in terms of economic data and events with **2 key exceptions**. Wednesday afternoon brings the Minutes from the most recent Fed meeting. With the Fed's stance seemingly in flux, every little bit of insight is a potential market mover. The following morning brings the first Durable Goods report we've seen since before the government shutdown. Given the market's willingness to react to last week's Retail Sales report, we'd have to assume there's plenty of reaction potential here as well.

**A word of caution** for those of you who are logically reading into the bigger picture implications of December Retail Sales (and potentially other delayed December data): If subsequent reports make December look like an aberration due to the shutdown, the bounce back toward weaker levels in bonds could be fairly abrupt. Realistically, January's data should be affected as well. This is one of the reasons I've continued to suggest that it won't be until mid-March that we're most likely to get the market's final answer with respect to the next big dose of momentum. If there's a reassuring, saving grace, it's the widespread agreement and/or fear about a major European economic slowdown.

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