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The Day Ahead: Biggest Threat To The Range, But There's a Catch

As many of you are likely tired of hearing, bonds have been locked in an increasingly narrow trading range for weeks. The bounces at the boundaries have been **almost perfectly** well behaved. In other words, since setting the lines for the first time, we haven't had to adjust them very much in order to contain a few of the more volatile days.

This process of adjustment is something we expect to have to do when a consolidation range will run out of room before the time when fundamental events stand a **better chance** of actually informing a true break away from the range. This time around, we're looking to mid-March as the first logical candidate for a bigger move, even if it might not be the market's "final answer" for 2019.

Given that mid-March is weeks away, we need to think about what might happen between now and then considering yields are only ever **1 day away** from a bigger breakout. In fact, the weakness seen so far this morning is the most threatening reason we've seen so far to ask such questions.

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
MarketNewsletters.com			
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

As the chart suggests, the break above the consolidation line is one thing, but the break above various horizontal ceilings would be bigger deals. Specifically 2.75% is the first significant pivot point overhead. This has been listed as the nearest/lowest overhead ceiling on the MBS Huddle for several weeks now. Point being: today's weakness may speak to increased odds of short-term weakness, but it **doesn't** connote much additional weakness unless we see that break above 2.75%. Even then, because today is the end of the month, there's some question as to whether the tone will change tomorrow (due to potential **month-end** imbalances causing excess weakness over the past 2 days).

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