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The Week Ahead: New Range Comes Into Focus as Its Time Runs Out

Stop me if you've heard this one before. There's this range in early 2019... It was consolidating. Then it broke. Now it's sideways.

Unless you're just joining us for the first time, you've likely had quite enough of all the range-bound discussion. I know I have. Yet I must continue to discuss it because it's incredibly relevant and interesting.

How is a sideways range interesting? This particular version resulted in the narrowest monthly 10yr yield trading range since 1979 (Feb 1- Feb 28). The longer such a range persists, the more it's telling us about pervasive uncertainty. The more pervasive the uncertainty, the bigger the implication for the next move. Bottom line: whenever this range-bound business finally concludes, rates should be on the move for better or worse.

But what is the range? Didn't we break out of it 2 weeks ago?

Yes, the consolidation range was broken to the upside on Feb 28th and March 1st. But as I said at the time and several weeks in advance, the first breakout was **never** likely to do anything more than adjust the ceiling of the broader, sideways trading range. Yields found that ceiling despite several pieces of stronger economic data at the time. A few days later, they found the floor despite an exceptionally weak NFP reading (when yields bounce near potential technical levels despite economic data making an opposite suggestion, it strengthens the case for those technical levels).

The floor and ceiling in question are **2.62 and 2.75** respectively. **Don't** expect these to be perfectly firm levels that repel any rally or sell-off. Rather, these are the narrowest range boundaries in the early 2019 sideways range. That was already the case before the last 2 weeks and their importance has been reinforced since then.

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



	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

While there are several major economic reports this week (Retail Sales, Durable Goods, CPI), the most notable feature is its nearness to next week's big Fed Announcement. Truth be told, I was **more excited** about this Fed announcement last month. It feels like we have a much better sense of where they stand now. Even so, the 2nd half of March could still be the time for a range breakout and the Fed could still inform that process. Traders may be adjusting their final bets on that process based on how this week's economic data comes out.

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