



Stephen Moye

Sales Manager/Senior Loan Officer NMLS:
268619/CA-DBO268619, New American Funding Corporation. NMLS: 6606, Equal Housing Lender Licensed by the Department of Business Oversight Under the California Residential Mortgage Lending Act CA-DBO268619 Corp. NMLS: 67180 Equal Housing Lender 1615 Murray Canyon Road #1050 San Diego, CA 92108

Office: 619-309-1678
Mobile: 619-895-8128
Fax: (619) 793-1026
stephen.moye@nafinc.com
[View My Website](#)

The Day Ahead: Separating Healthy Bounces From Scary Corrections

Quite a few talking heads and analysts referred to last Wednesday's post-Fed rally as 'overdone.' They pointed to Thursday's moderate weakness as evidence that bonds would have a hard time making further progress at the new long-term lows.

When the rally extended sharply on Friday in the overnight session, pundits doubled down on the 'overdone' calls, saying **surely a bounce was imminent**. A few hours later, weak Markit PMIs in the US launched yields even lower prompting--you guessed it--even more calls for a jarring return to reality in the following week.

If you were around yesterday, you know that such a return (to higher yields) **never happened**. Bonds continued to defy calls for a bounce by surging as low as 2.377 yesterday afternoon. At that point, there were far fewer experts willing to declare the likelihood of a bounce--just what the market needed in order to finally bounce!

To be clear, bounces **ALWAYS** happen (eventually) after big rallies like this, but they relish the opportunity to throw ankle-breaking head fakes in the process. It's fair to say that the past 3 business days broke more than a few ankles. My position has been and continues to be that we'd need to see a certain amount of weakness before battening down the hatches and bracing for a negative shift in momentum (even if we'd only be concerned about short-term momentum at first).

How to identify such a shift? This is one of the highest and best uses of **technical analysis**. That esoteric wizardry that some analysts use in an attempt to predict the future is actually best suited to helping us identify meaningful shifts. The most basic technical patterns are in good supply right now with several instances of yields bouncing at clearly-defined pivot points. Of these, 2.47% in 10yr Treasuries is probably the most significant. That's the ceiling I'd be watching for a break before getting too concerned about anything more than a small, brief consolidation. If it's broken convincingly, 2.55% becomes the next level to watch.

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

As the chart suggests, 2.42% is a technical level on the other side of this morning's trading. Breaking below there would reopen short-term rally potential. But the emphasis would be on **short-term**. Past precedent suggests bonds will most likely be drawn back at least to 2.47% (if not 2.55-2.62%) before being able to make significant progress. There are historical exceptions to that pattern, but they've all involved **massively obvious motivations** (like the European crisis and US fiscal drama in mid-2011).

Subscribe to my newsletter online at: <http://housingnewsletters.com/stephenmoye>

thanks for visiting this site

thank you for coming to website. Having been a loan officer for 20+year...I know first hand how important it is to stay on top of the news and event that effect mortgage rates, regulation, and program guidelines. Let this web site be a resource for you.

New American Funding CA-DBO268619 Corp. NMLS: 6606

Equal Housing Lender

Licensed by the Department of Business Oversight Under the California Residential Mortgage Lending Act

Stephen Moye

