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# The Week Ahead: Data Returns While Trade Drama Backdrop Persists

In the week just past, markets were slavishly tuned-in to headlines and developments surrounding **US/China trade relations**. This generally resulted in bond gains and stock losses. The week, as a whole, represented an unexpected break from the trend of containment seen in the previous week (noted in chart below).

Now, the current week begins with the same sort of breakout.

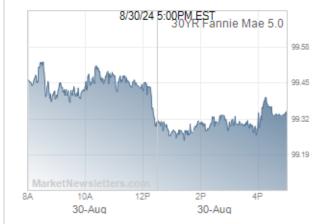


But why are these breakouts 'unexpected?' To be fair, they weren't! They were neither expected nor unexpected. Any other stance would be ignorant of the market's most important rule: anything can happen tomorrow and everything we know about what might happen is already priced-in today. It's more fair to say the breakouts were "counter-trend."

#### MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 5.0	99.35	-0.16
MBS GNMA 5.0	99.91	-0.04
10 YR Treasury	3.9039	+0.0424
30 YR Treasury	4.1932	+0.0468

Pricing as of: 8/30 5:59PM EST



#### **Average Mortgage Rates**

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	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	
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At the end of last week, the base case was for the ending of the trade negotiations in Washington to coincide with a market rebound based on the fact that the sky wasn't falling even though we didn't get any major progress

	Rate	Change	Points
30 Yr. Jumbo	6.75%	+0.07	0.39
5/1 ARM	5.98%	-0.27	0.65

toward a trade deal. The counterpoint was that this outcome was **so obvious** that it could create crowded trading positions and thus open the door for a contrarian contingent of traders to force bonds into a short squeeze. Indeed, much of the extra oomph seen in bonds this morning (10yr yields well past Friday's lows while stocks have yet to break theirs)is attributable to short covering, but the general decline in stocks continues to mirror bonds. That suggests the "risk-off" trade is still alive as this week begins.

US econ data may have some chance to add to the risk-on/off themes, but not until Wednesday at the earliest. After 2 fairly quiet days in terms of data, Wednesday brings **Retail Sales--the week's headliner**--in addition to NY Fed manufacturing, Industrial Production, Builder Confidence, and Business Inventories. Thursday adds Housing Starts /Building Permits as well as Philly Fed and Jobless Claims. Things continue to die down on Friday, which only boasts Consumer Sentiment and Leading Economic Indicators.

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