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The Day Ahead: Bonds Continue Fighting For Consolidation Ahead of Fed

In the day just past, bonds built on the Tuesday's strength following a correction to the weakest levels in more than a week. 10yr yields briefly made it as low as 2.11% before consolidating in a fairly perfect triangle/pennant for the rest of the day.

In the day ahead, bonds continue fighting for more consolidation ahead of next Wednesday's Fed announcement (and press conference and updated economic projections. While Fed policy will ultimately be a function of various economic variables (labor market, inflation, financial stability), the FOMC has a certain degree of latitude in deciding whether to approach its mandates more conservatively or aggressively.

The market's current read on the Fed is that they'll be more predisposed to aggressive changes (assuming they see evidence that suggests we're at risk of a slowdown). Traders readily ramped up bets on such aggression last week, and it's a key reason for the divergence in stocks and bonds.



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

	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

Treasury technicals are mixed for now, with shorter-term momentum indicators giving off a potentially false positive when it comes to a shift back toward higher rates while longer-term indicators say the shift has yet to happen. If you'd prefer not to concern yourself with such things, simply ignore the bottom portions of the following chart and instead consider that 10yr yields briefly broke above 2.147, but have otherwise generally treated it as a ceiling in the past 2 weeks.

	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



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